ESTTA Tracking number:	**ESTTA1114325**
Filing date:	**02/13/2021**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92025859
Party	Plaintiff Empresa Cubana Del Tabaco d.b.a Cubatabaco
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Signature	/Lindsey Frank/
Date	02/13/2021
Attachments	PX0098.pdf(516792 bytes) PX0141.pdf(620575 bytes) PX0152.pdf(2265022 bytes) PX0187.pdf(767541 bytes) PX0216.pdf(330426 bytes) PX0259.pdf(1158970 bytes) PX0317.pdf(1395704 bytes) PX0462.pdf(288321 bytes) PX0899.pdf(855050 bytes) PX1510.pdf(442979 bytes)

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC. and CULBRO CORP. Respondents.	Cancellation No. 92025859

PARTY OFFERING: PETITIONER

DESIGNATION in 97 Civ. 8399 (RWS), United States District Court, Southern District of New York, *Empresa Cubana de Tabaco d.b.a. Cubatabaco v. Culbro Corp. and General Cigar Co., Inc.*):

Plaintiff Cubatabaco's Trial Exhibit PX0098

General Cigar Co., Inc.
320 West Newberry Road
Bloomfield, CT 06002-1398

a company of
Culbro Corporation

MEMO

TO: Gary Krol

FROM: Dickson Farrington

CC: J. Rano, J. Geoghegan, B. Currier, A. McNamara, R. Morris, J. Toomey, L. Collins, M. Conder, B. Menendez, A. Cockeram

DATE: May 13, 1997

RE: **Corrected Cohiba P.D.G, and Product Schedule**

Attached are corrected Product Development Guides and Product Schedules for the Cohiba launch, please replace previous Product Development Guide and Product Schedule.

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PLAINTIFF'S EXHIBIT 098

COHIBA PRODUCTION REQUIREMENTS

5/12/97

Code	Frontmark	Size	Pkg	#Boxes 1997	Oct Del	Nov Del	Annual Rquirement
7956	Robusto	51/2 x 49	25	20m	200m	300m	500m
7957	Churchill	7 x 49	25	20m	200m	300m	500m
7958	Lonsdale	61/2 x 42	25	15m	150m	225m	375m
7959	Lonsdale Grande	61/4 x 47	25	15m	150m	225m	375m
7960	Robusto Fino	43/4 x 47	25	10m	100m	150m	250m
7961	Corona	51/8 x 42	25	10m	100m	150m	250m
7962	Triangulo	61/2 x 52	25	10m	100m	150m	250m
Total				**100m**	**1mm**	**1.5mm**	**2.5mm**

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General Cigar Company, Inc.

Product Development Proposal

Project Title: COHIBA BRAND- CIGARS

Overview: (Include description, sizes, shapes, market position sought, outline of desired product attributes)

Cohiba brand will launch with seven initial cigar shapes or frontmarks:

Frontmark	Dimension	Explanation
1. Robusto	5 1/2 x 49	Classic size designation/same as Cuban version
2. Churchill	7 x 49	Same frontmark designation/for same size in Cuban version
3. Lonsdale	6 1/2 x 42	Classic size designation
4. Lonsdale Grande	6 1/4 x 47	Reflects that this slightly thicker than traditional Lonsdale version
5. Robusto Fino	4 3/4 x 47	Reflects size slightly thinner than a true Robusto. Fino means thin , with an added secondary meaning of "fine" as in the word expensive, or costly of high quality.
6. Corona	5 1/8 x 42	Classic size designation
7. Triangulo	6 x 52	"Triangulo" means triangle in Spanish, reflects pyramid shape of the cigar in a unique way.

PRICING

Frontmark	Dimension	FSP	SRP
1. Robusto	51/2 x 49		
2. Churchill	7 x 49		
3. Lonsdale	61/2 x 42		
4. Lonsdale Grande	61/4 x 47		
5. Robusto Fino	43/4 x 47	*REDACTED*	
6. Corona	5 1/8 x 42		
7. Triangulo	6 x 52		

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Cohiba by General cigar from the Dominican Republic will be positioned as a high quality, flavorful cigar worthy of its super premium price status, ($7.00-$15.00), on its own merit.

Its Cuban cigar heritage and the near "cult" status of the Cohiba Cuban version will be a benefit to generate initial trial of the brand, and easy brand recognition , but not the main engine driving the brand.

Cohiba will have a fuller in keeping with consumers perception of "stronger" Cuban taste.

Packaging/presentation will be minimal in keeping with clean, sparse look of Cuban Cohiba presentation. A Plain varnished mahogany box with minimal embellishments. Cigar label on inside lid only, with a flysheet inserted in each box. Only frontmark designations and Brand name stamped on outside of box. All cigars will be packed in 13 top boxes of 25 cigars in keeping with classic cigar tradition. The unique sparseness of the box and presentation will call attention on the retail shelf.

Cohiba Cigars and brand imagery will set the stage for the introduction of non-tobacco products in the upscale luxury goods category.

Objectives: (State in terms of segment/category share, volume, growth, and Time frame)

Cohiba will all be priced in the Super Premium cigar category introduction of Cohiba will

- Increase General cigar market share in Super Premium category from <u>approximately</u> 30% in 1996 to 39% in 1997.
-Launch Cohiba brand at RTDA

-Ship/Sell in 2.5 million Cohiba cigars by November 1997

-Create Immediate brand awarenss and retailer commitment to brand at launch through sell in strategy.

Strategy: (Target consumer audience, distribution channels, competitive position, product promise)

Consumer Audience

1. Experienced cigar smokers: qualitative consumer focus groups indicate these smokers are more savvy and less impressed by "Cuban cigar mystique" they realize that country of origin is not the deciding factor in determining cigar quality. Looking for a richer flavor.
2. Smokers who see themselves as smoking only the finest cigars because of their discriminating taste.

3. Smokers that want a full flavored cigar that is not harsh or strong.
4. Smokers who prefer Cameroon wrappers and are willing to pay for the best.
5. Consumer who equates high price with high quality and prestige.
6. Less savvy or experienced consumers who want to identify with the Cohiba brand name/prestige

Competitive Position

1. Cohiba brand name is powerful. Leverages Cuban mystique, positive brand name recognition, consumer expectation of high quality, intrinsic prestige associated with the brand equates to easy super premium price justification and increased consumer trial.

2. Only new major brand launch to use scarce and costly Cameroon wrappers- maintaining historical standards and integrity.

Product Promise

1. Same standards and commitment to quality as in other General Cigar products.

2. Cohiba will deliver a fuller, richer flavor without harshness.

3. Cohiba will be more than just a great cigar. It will leverage mystique of Cohiba name and help the consumer define who he is.

4. Cohiba will be a symbol for rare quality and discriminating taste that sets them apart from others.

Competitive Products

1. Monte Cristo
2. Davidoff
3. Opus X
4. Partagas Limited Reserve
5. H. Upmann Chairmans Selection

Distribution Channels/Method

1. Retailers will be allowed to buy "futures" of Cohiba cigars. A fixed amount of cigars will be produced each year. Retailers will be offered the opportunity to commit to buy a pre-determined guaranteed supply of cigars for the year. Shipments of cigars against the annual supply or allotment will be made on a monthly basis with a quarterly reconcilliation.

2. Unique buy in strategy enhances retailers feeling of proprietorship/franchise with Cohiba brand. Buy-in strategy encourages retailer to make long term commitment of resources and sales/display effort to Cohiba brand.

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3. Sell in strategy allows for successful new product launch without additional back order. This strategy will increase customer satisfaction by reducing supply anxiety. Retailer knows how much and when to expect Cohia allowing him to effectively manage and control his own business.

4. Cohiba will be placed in better smokeshops and better cigar distributors. With focus on direct retail accounts and TPP.

5. Cohiba will be available in United States only.

Current/Foreseeable Market Conditions: (Category and segment volume, expansion of target retail channel, demographics of consumer audience, possible competitive action/response)

Foreseeable, (next 18 months) market conditions indicate that the super premium cigar market will remain strong. The most explosive growth in the premium cigar market has been from the $5.00 + price segment. Increasing from 1.5 million units in 1994 to 17.6 million units in 1996. In 1996 this price segment represented 14% of total imported premium cigar units and 36% of total dollars.

New distribution channels are opening daily including: traditional smokeshop tobacconists, cigar clubs, golf courses, cigar bars, cigar friendly restaurants, bars and liquor / wine merchants. Mainstream mail order houses and retailers are featuring cigar accessories and cigars in their stores and catologs.

Competitive Response:

Given the strength of Cohiba brand name it is unlikely that a competitor could launch a product with close to the impact of Cohiba from General Cigar. Fuente Opus X is the product that represents the most vialble threat to a Cohiba launch.

Possible Competitive response would be to increase supplies /distribution of competitive product ie. Monte Cristo and or Fuente Opus X Davidoff brands.

Projected Product Volume:

1997	Oct- Nov 1997 Launch- 2.5 mm cigars and	FSP
1998	Achieve 5mm cigars and	FSP

REDACTED

Marketing Support Overview: (Briefly outline all applicable activities: pricing outline, introductory dollar support, selling materials and merchandising, trade and consumer promotion, advertising, publicity)

Brand Advertising in:
Cigar Aficionado
Other mens lifestyle books to be recommended by agency from media spending plan.
Advertising media strategy should address non-tobacco categories

Promotion and Merchandising
- Primary launch event in New York City
- Minor launch events in key metropolitan areas
- Feature /Promote with Neiman Marcus
- VIP /Press parties in NYC and Chicago
- Follow up activities with Club Macanudo and Punch Bars, but not appropriate for initial launch activities.
- Mailing of gifts of cigars and support material to celebrities and VIPS/
- Internet Site additon

Retailer materials
- Shape charts
- Posters, Ashtrays, and hard goods items
- Incorporate into cigar of the month program with TPP accounts.
- Signage

Lifestyle/Logo Accessories:
- Small leather goods
- Selected clothing items

Signature ____________________ **Approval:** ____________

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Additional Information Required:
Objectives/Strategy Comment (list below):

Product Development Guide

Critical Path and Responsibilities

Project Title: Cohiba Cigars
Date:

Project Team Responsibilities and Completion Dates:

Product Development:

Formulation of blends/samples:
Testing and Evaluation
Revised Blending
Re-test and approval
Sizing Recommendations
Final Blend
Sample Production
Cost Analysis
Procurement
Production

Packaging:

Brand Positioning and Packaging Plan
Plan Approval
Sizing/ Prototypes
Graphic Concepts
Package Copy and Surface Graphic Designs
Management Review and Approval
Sample Packs/Fit
Final Creative
Mechanical Artwork
Production

Supporting Activities:

Marketing Plan and Budget
Plan Development/Timetable
Approval

Presentation to Sales
Sales Letter
Advertising Production
Media
Merchandising Production
Promotion Activity
Press Releases/Publicity
(Develop full plan from checklist)

Fill in completion/due dates for each key task. Week by week timetable for each task grouping is to be developed from this summary.

Project Check List

Product

Packaging

UPC Code

Unit Sizes

Case Sizing

Case Labeling

Case Dimension Weight and Cube

Product Fact Sheet

Pricing

Cost Standard Developed

Launch Promotion

Concept

Payout Worksheet:

Estimated Cost of Promotion
FSP of Goods (per unit)
Product Sales Volume Plan (less Promotion)
Est. Incremental Promotion Volume
Cost per Unit (Subtract form FSP)
Net Profit from Incremental Volume

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Launch Support Checklist (Check all that apply)

- ☐ Sales Letter
- ☐ Sell Sheet
- ☐ Selling folder
- ☐ Pocket Folder
- ☐ Press Releases
- ☐ Publicity Photos
- ☐ Distributor Promotion
- ☐ Retailer Promotion
- ☐ Consumer Promotion
  - Coupon
  - On Pack Coupon
  - Added Value/Premium
  - Free Trial Offer
  - Other
- ☐ Special Displays
- ☐ Event /Publicity
- ☐ Ad Slicks
- ☐ Trade Advertising
- ☐ Consumer Advertising
- ☐ Introductory Package Graphics (New, etc.)
- ☐ Trial Package Sizes
  - Trial Packs
  - Bonus Packs
- ☐ Free Sampling
- ☐ Other (Specify)

Product Research Checklist

(State Type of Research Desired)

Concept

Trade and Consumer Insights

Key New Learnings

Product/Concept Fit

Concept Advertising Fit

Company/Packaging Fit

Key Next Steps

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

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Date registered: February 17, 1981

AND

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EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC. and CULBRO CORP. Respondents.	:	Cancellation No. 92025859

PARTY OFFERING: PETITIONER

DESIGNATION in 97 Civ. 8399 (RWS), United States District Court, Southern District of New York, *Empresa Cubana de Tabaco d.b.a. Cubatabaco v. Culbro Corp. and General Cigar Co., Inc.*):

Plaintiff Cubatabaco's Trial Exhibit PX0141

1998 Consumer Research

July 30, 1998

Purpose

- Track critical consumer issues, purchase patterns, perceptions, satisfaction, and expectations within the U.S. cigar market
- Size of U.S. cigar market

Primary Research

- Qualitative
  - Focus Groups
  - In-depth Interviews
- Quantitative
  - Semi-annual Attitudes and Usage Survey
  - Mall-intercept
  - Short surveys

Secondary Research

- Lack of secondary research sources
- Indication by suppliers is the lack of demand within the cigar industry for syndicated research
- Cigar Association of America provides industry performance data on a monthly basis
- Profound service

Qualitative Research

- Currently random
- New Product Development
- Moderated by *Imagination at Work, Inc.*, professional research consultant

Quantitative Research

- Track critical consumer issues and purchase patterns
- Attitudes and Usage Survey
  - ◆ Semi-annual
  - ◆ Tracked since 1995*
  - ◆ Consumer Panel Research
  - ◆ Phone Survey
- Sample both Mass-market and Premium smokers

* Some variables tracked only from 1996 or 1997

NPD Consumer Panel

- 400,000 total households
  - 250,000 household cross section
  - Nationally representative to U.S. Census data
- Methodology
  - Mail (Incidence Screener)
  - Phone (A&U Study)
  - Internet
  - Combinations

Source - The NPD Group, June 1998

NPD Consumer Panel

- Cigar Screener/Incidence Measurement
  - Mail survey
  - Filled out by the panel member
    - Often the FHOH
  - Concerns
    - Is the panel member filling out the survey?
    - Seasonality a factor?

NPD Consumer Panel

- Attitudes and Usage Survey
  - Use sample from the screener/incidence measurement
  - Phone survey
    - Direct to the cigar smoker in the household
    - Average interview time is 22 minutes
      - Beyond typical respondent fatigue

Cigar Screener - Incidence Measurement

- Cigar smoking incidence
  - Anyone in the household that smokes at least one cigar in a typical month
- MOS Brand
- New smokers/attrition
  - Cannot measure changing behavior in non-static sample

Attitudes and Usage Survey

- The Attitudes and Usage Survey is broken down into 5 sections:
  - Smoking Behavior
  - Brand Awareness, Usage & Shopping Behavior
  - Brand Characteristics & Perceptions
  - Attitudes, Information Sources, Advertising, and Accessories
  - Smoker Demographics

Smoking Behavior - A&U

- Smoking Tenure
- Frequency
- Frequency v. Seasonality
- Frequency comparison from previous year
- Small v. Large Cigars
- Smoking Activities
- Usage of other tobacco products

Brand Awareness, Usage & Shopping Behavior

- Top-of-mind awareness (unaided)
- Number of different brands smoked regularly
- Most-often smoked brands (1 & 2)
- Mass/Premium (respondent's perception)
- Sweet/Tipped
- First MOS Brand
  - Migration
- Size analysis
- Unavailable MOS brand alternatives

Brand Awareness, Usage & Shopping Behavior (cont.)

- MOS brand change
- Best brand
- Primary purchase packing
- Price analysis
- Purchase channel
- Mail order usage

Brand Characteristics & Perceptions

- No analysis done using most of this section
  - Why?
    - Sub-samples are small for absolute conclusions
  - Project in works for comprehensive brand perception analysis currently underway by The Cambridge Group for GCH

Brand Characteristics & Perceptions (cont.)

- Similarity analysis of MOS and secondary brands
  - If different, probe into specific characteristics to identify differences
- Identification of MOS brand characteristics
- Relative importance of quality, price, and availability

Brand Characteristics & Perceptions (cont.)

- Satisfaction ratings
  - Quality of ingredients, quality of construction, price, and availability
- Price sensitivity
- Brand perception
  - Excluding MOS and secondary brands
  - List of attitudinal statements
  - Premium and mass

Attitudes, Info. Sources, Advertising, and Accessories

- Attitudinal statements
  - Additions/Subtractions
- Consumer sources of cigar information
  - Probe
    - Subscription
    - Internet
    - Reliability

Attitudes, Info. Sources, Advertising, and Accessories (cont.)

- Accessories ownership
- Accessories purchase intentions
- Ad recall
  - Media
  - Specific brands recalled
- Club Macanudo awareness

Smoker Demographics

- Standard demographic information
- Head of household
- Additional cigar smokers within household

Issues Currently Tracked

- Smoking Tenure
- Smoking Frequency
- Channel of Purchase
- Brand Awareness
- Primary Brand Share
- Best Brand
- Importance and Satisfaction with Quality, Price, and Availability
- Smoking Activities
- Ad Recall

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Plaintiff Cubatabaco's Trial Exhibit PX0152

THE
CAMBRIDGE
GROUP

THE CAMBRIDGE GROUP

November 24, 1998

General Cigar

General Cigar Co. Premium Brand Strategy Worksession

THE
CAMBRIDGE
GROUP

Agenda

- Today's Objectives
- Review of Key Motivational Segments
- Brand Performance by Segment
- Cigar Need States
- Profile of Brand Users
  - Motivations
  - Category Behavior
  - Demographics, Lifestyle, and Media
- Brand Imagery Among Brand Users
- Opportunity Selection and Strategy Exercises
- Appendix

Today We Will Share Additional Information from the Cigar Consumer Framework to Help Us Develop Brand Strategy

- On November 4 we provided an introduction to the Cigar Consumer Framework, which identified eight distinct motivational segments of cigar consumers
  - Going forward we will focus on those segments which are most important to the premium cigar business
- Today we will share additional information from the Cigar Consumer Framework that will help us understand how each of our key brands (Macanudo, Partagas, Cohiba) has succeeded to-date
  - A motivational, behavioral, and demographic profile of each brand's current users
  - Each brand's imagery through the eyes of its current users
- We will also provide insights on cigar "need states", or unique sets of circumstances that cause consumers to reach for a cigar
  - Need states often provide an additional level of targeting that is useful for achieving brand differentiation
  - By defining your target as ***"to whom"*** (a segment), and ***"for what"*** (a need state), you create a clear strategic objective of <u>who</u> you want to use the brand and <u>how</u> you want them to use the brand

Relevant and Differentiated Brands Build Their Businesses Around the Strategic Target

They look to the strategic target for direction and to the consumption market for incremental returns

Strategic Target	Consumption Market
▶ Drives strategy ▶ Build the brand value proposition for this customer — Be the most relevant to them — Be highly differentiated for them ▶ Develop the most compelling offers and communications for this customer ▶ Devote direct investments and resources ▶ Focus on long term loyalty	▶ Drives incremental returns ▶ Develop programs at the tactical and executional level for this customer — E.g. pricing, channel programs ▶ Develop competitive offers ▶ Invest proportionally to incremental returns ▶ Focus on near term profitability

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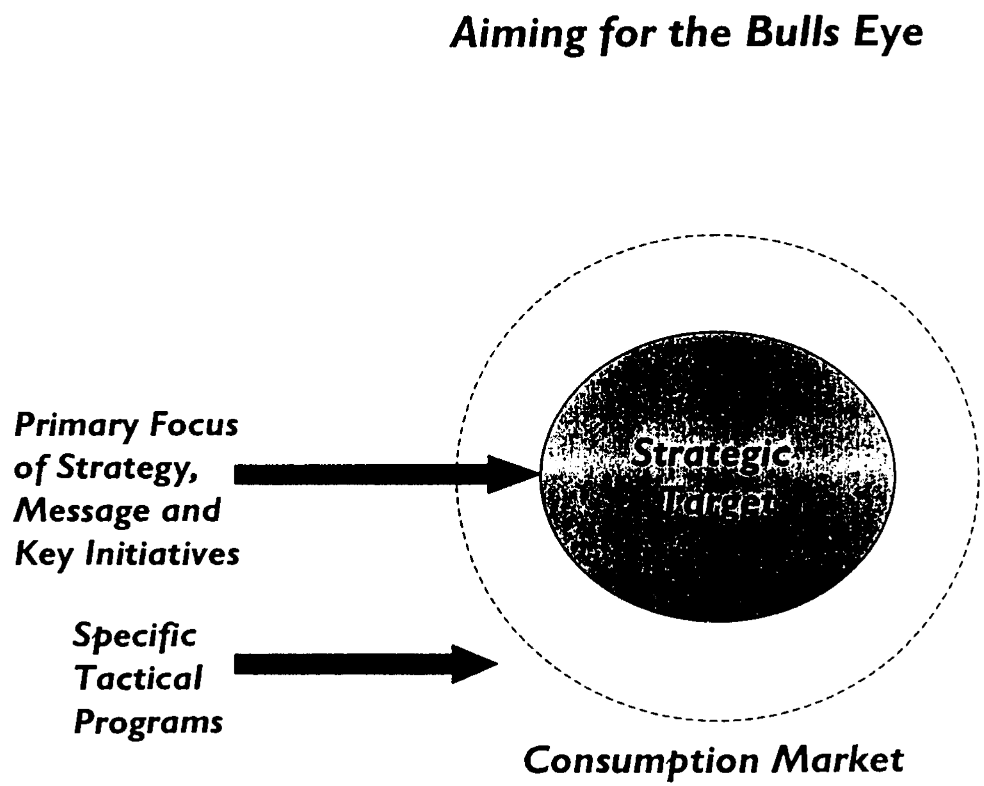
GC 019588

The Result Is a Clarity and Focus That Lead to Enhanced Brand Relevance and Differentiation



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Ultimately, We Will Build to an Overall Portfolio Strategy for General Cigar Holdings to Gain Maximum Value From Its Brands

- Identify specific target, need state, and hypothesized strategy for each major premium brand
- Drive brands apart for maximum impact

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GC 019590

Agenda

- Today's Objectives
- **Review of Key Motivational Segments**
- Brand Performance by Segment
- Cigar Need States
- Profile of Brand Users
  - Motivations
  - Category Behavior
  - Demographics, Lifestyle, and Media
- Brand Imagery Among Brand Users
- Opportunity Selection and Strategy Exercises
- Appendix

We Now Know That There Are Eight Cigar Consumer Segments of Varying Importance

Segment Overview

Primary Segmenting Dimensions

1. **Cigar Affinity**
   - Enjoyment of cigars
   - Receive emotive benefits from cigars
   - Interest in shopping for cigars
   - Knowledge level/interest in learning
2. **Smoking Regularity**
   - Everyday vs. occasional
3. **Preference for Social vs. Solitary Smoking**
4. **Willingness to Pay (premium vs. mass)**
5. **Channel Preferences**
   - Tobacconist, catalog

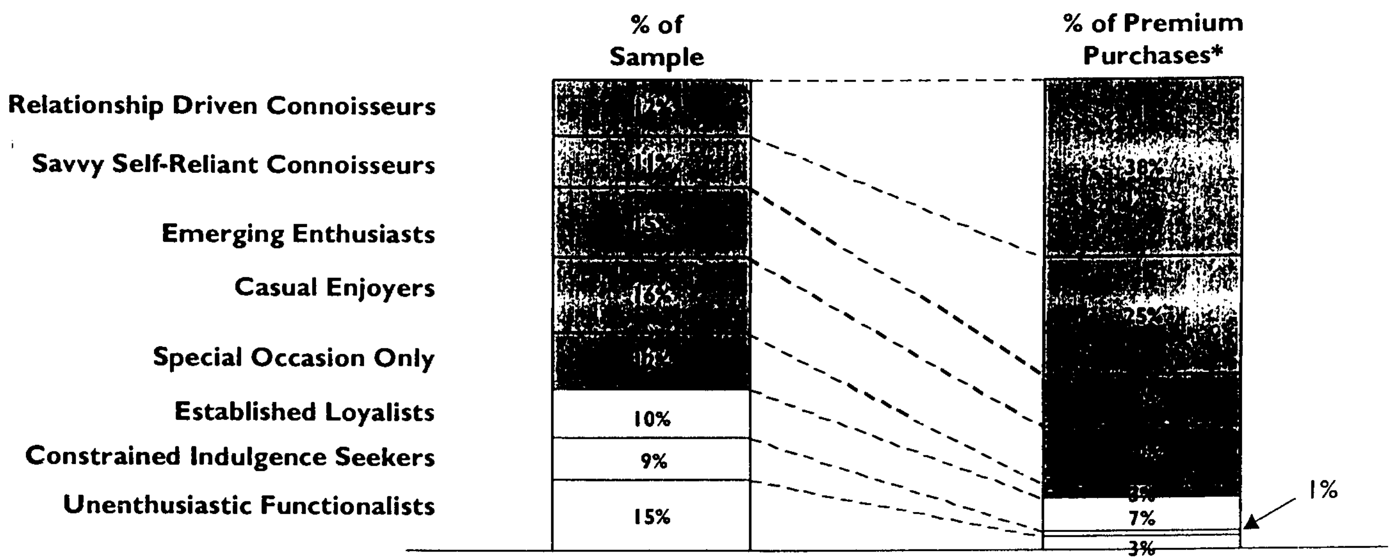
Segments	% of Sample	% of Total Cigar Spending*	Mass Vs. Premium Preference
Relationship-Driven Connoisseurs	12%	27%	Premium
Savvy Self-Reliant Connoisseurs	11	19	Premium
Emerging Enthusiasts	15	10	Premium
Casual Enjoyers	16	12	Mix
Special Occasion Only	12	4	Mix
Established Loyalists	10	15	Mass
Constrained Indulgence Seekers	9	5	Mass
Unenthusiastic Functionalists	15	8	Mass
	100%	100%	

*Includes both premium and mass cigars

The First Five Segments Account for Nearly 90% of Premium Purchases and Will Be Our Focus Going Forward

Segment Importance

Premium Cigar Unit Volume by Segment



*Based on Cigars purchased in past 3 months
Source: Cigar Management Framework Section 2, Q.19d

These Five Cigar Consumer Segments Each Have Fundamentally Different Motivations

Segment Attitudes

	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
% of Sample	12%	11%	15%	16%	12%
% of Premium Volume	$\boxed{38\%}$	$\boxed{25\%}$	11%	12%	3%
Average Price Paid Per Cigar	$\boxed{\$5.63}$	$3.77	$\boxed{\$7.01}$	$4.23	$\boxed{\$6.79}$
Key Attitudes	▸ ***Love*** cigars and extremely knowledgeable about them – Cigars are their passion ▸ Prefer to buy and shop at their tobacconist – Ask their advice – Trust them – Close relationship with them ▸ Love to read about and shop for cigars ▸ Own their own humidor ▸ Enjoy social smoking – Cigar bars ▸ Conspicuous consumers – Status is important ▸ Prefer premium cigars	▸ Love cigars and extremely knowledgeable about them ▸ Strong preference to catalog and internet cigar shopping – Offer good prices ▸ Love to read about and shop for cigars ▸ Own their own humidors ▸ Preference toward smoking alone ▸ Have lots of free time – Leisurely lifestyle	▸ Occasional, but enthusiastic cigar smokers ▸ Newer smokers ▸ Very interested in learning more about cigars ▸ Prefer premium cigars – And love to shop for them ▸ Cigars are a social activity – Like going to cigar bars – Usually drink liquor or beer with them ▸ Work hard, play hard	▸ Occasional cigar smokers ▸ Cigar smoking is not that important to them ▸ When they do smoke, they look to tobacconists for advice ▸ Cigars are not seen as social activity nor as a prestigious hobby – Prefer to smoke alone ▸ Family and home centered – Easygoing lifestyle – Happy with themselves	▸ Occasional cigar smokers and relatively new to the category – Smoke at weddings, special events ▸ Cigar smoking is a social activity they enjoy with friends – However, they are not committed to it – If friends gave up smoking, so could they ▸ Do not get emotive benefits from cigars

Relationship-Driven Connoisseurs Are Extremely Involved in the Category

Motivational Segments

- Relationship-Driven Connoisseurs are avid cigar lovers
  - Cigars are their passion - they love to learn more about them, shop for them, as well as smoke them
  - They also receive strong emotional benefits from cigars. Cigars are relaxing, indulgent, enhance celebration and an enjoyable reward
- Relationship-Driven Connoisseurs prefer premium cigars and account for the largest share of spending in the category (38% of premium cigar volume)
- Relationship-Driven Connoisseurs show a strong preference for shopping at the Tobacconist
  - They have formed a relationship with their Tobacconist and enjoy chatting with them about cigar recommendations and experiences
- Relationship-Driven Connoisseurs enjoy both the social aspect of cigar smoking as well as time spent smoking alone
  - They enjoy smoking with friends and appreciate the camaraderie which cigars can help foster
- Relationship-Driven Connoisseurs have higher than average incomes and include both married (56%) and single people (44%), with an average age of 39

Savvy Self-Reliant Connoisseurs Love Cigars but Look for the Best Price They Can Find

Motivational Segments

- Savvy Self-Reliant Connoisseurs are regular cigar smokers and extremely involved in the category
  - Cigars are their hobby...they love to read about them and enjoy maintaining their own humidor
  - Cigars give them lots of emotional benefits from relaxation to reward to celebration
- Savvy Self-Reliant Connoisseurs are an important segment from a volume perspective. They represent 25% of premium cigar volume
  - While they prefer premium cigars, they like to shop around to get the best price they can
- Many Savvy Self-Reliant Connoisseurs prefer to buy most of their cigars through catalogs instead of a Tobacconist. This stems from two reasons:
  - They are savvy shoppers and believe that catalogs give them the best price for the cigars they want to buy
  - Plus, they feel they have enough category knowledge and rely on their own cigar-picking skills rather than that of a Tobacconist
- Savvy Self-Reliants smoke both socially as a well as alone, but show a stronger than average preference for solitary smoking
- Savvy Self-Reliant Connoisseurs are somewhat older (48% over age 45) than other segments. 62% of them are married

Emerging Enthusiasts Are Social Smokers Who Are Developing a Growing Interest in the Category

- Emerging Enthusiasts are newer to the category, but demonstrate a strong interest in cigars
  - Right now they are occasional smokers, but they enjoy smoking premium cigars and have an interest in learning more about the category
  - They seek advice on which cigars to smoke and particularly seek out recommendations at the Tobacconist
  - They enjoy some of the emotional benefits cigars bring, such as enhancing a celebration
- Emerging Enthusiasts represent modest premium cigar volume currently (11% of premium cigar volume), but given their high level of interest, they have potential if properly cultivated to increase their share of volume in the future
  - If they can be reinforced that cigars are part of a desired lifestyle
  - If given opportunities and access to smoke cigars
- Emerging Enthusiasts tend to smoke in social situations
  - They enjoy smoking with friends and show a strong interest in cigar bars
  - They also typically enjoy their cigar with a glass of wine, beer, or spirits
- Emerging Enthusiasts enjoy trying new things and being in tune with the latest trends; they are interested in status
- Emerging Enthusiasts are more likely to be younger (43% under age 35) and have higher than average income as well as education

Casual Enjoyers Do Not Derive Strong Emotive Benefits from Cigars, but Rather, Simply Enjoy the Taste of an Occasional Cigar

- Casual Enjoyers are longer-term cigar smokers who occasionally smoke a cigar now and then because it is an enjoyable experience
  - Not because it is something they consider prestigious, trendy, or macho
  - They do not get strong emotional benefits from smoking cigars
- Due to their only occasional smoking behavior, Casual Enjoyers represent below average category volume (12% of premium cigar volume)
- When they do smoke, Casual Enjoyers prefer premium cigars and seek advice from Tobacconists
- Casual Enjoyers are very family focused, spending most of their free-time at home
  - They are also very happy and content with their lives
- Casual Enjoyers are most likely to be married (77%) and more likely to have kids at home (46%) than most other segments

Special Occasion Only Shows a Low Level of Commitment to the Cigar Category

- Special Occasion Only's are newer smokers (67% have smoked five years or less) whose smoking occasions center around more infrequent social events such as weddings, parties and other get-togethers
  - Despite their newness to the category they do not appear to be attractive as a growth target
- Their infrequent smoking causes them to account for little cigar volume (3% of premium cigar volume)
- This segment lacks commitment to the category and this commitment level appears unlikely to change
  - They claim that they could easily give up cigars, particularly if their friends did
  - In fact, they tend to only smoke a cigar when someone offers them one, rather than taking the initiative on their own
- Special Occasion Only is the youngest segment (nearly 60% under age 34), have higher than average incomes, and are least likely to have kids in the home (30%)

The Segments Show Differences in the Types of Emotional Benefits They Receive from Cigars

Key Attitudes

Cigar Affinity: Emotional Benefits Received (Top 2 Box % Agree)*

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
I find smoking cigars **extremely relaxing**	**50%**	$\boxed{84\%}$	$\boxed{68\%}$	53%	47%	20%
I **reward** myself with a cigar	**41**	$\boxed{77}$	$\boxed{65}$	48	30	18
For me, cigar smoking is an **indulgence**	**36**	$\boxed{47}$	$\boxed{46}$	$\boxed{44}$	33	32
I smoke cigars to **celebrate** a good day	**31**	$\boxed{67}$	$\boxed{50}$	$\boxed{42}$	14	16
Smoking a cigar is part of a lifestyle of leisure	**25**	$\boxed{44}$	$\boxed{41}$	25	18	15

Multiple Emotional Benefits Received from Cigars (Relationship-Driven Connoisseurs, Savvy Self-Reliant Connoisseurs)

Cigars are Celebratory (Emerging Enthusiasts)

Cigars are Relaxing (Casual Enjoyers)

► Understanding the emotional benefits that different segments receive from cigars offers the opportunity to connect to the consumer at a higher level ◄

☐ = 120+ Index vs. Total
*Completely/somewhat agree
Source: Cigar Management Framework, Section 1, Q1.

The Two Connoisseur Segments Are Frequent, Knowledgeable Smokers, but One Prefers Tobacconists and the Other, Cigar Catalogs

Motivational Segments

- Emerging Enthusiasts are newer, less knowledgeable smokers who like to smoke socially and look to friends and tobacconists for advice

Key Behavior Summary

	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
Average Number of Cigars Smoked per Week	5.8	7.7	1.2	2.7	0.7
Average Price Paid Per Cigar	$5.63	$3.77	$7.01	$4.23	$6.79
Share of Segment Smoking 5 Years or Less	31%	24%	45%	25%	67%
Average Knowledgeability Self-Rating (10 Pt. Scale)	6.6	6.4	4.7	4.5	2.9
Share Who Typically Smoke Socially	21%	11%	51%	11%	75%
Average Number of Brands Smoked Regularly	3.9	2.6	2.6	2.1	1.7
<u>Taste Preference</u>					
► Mild	17%	28%	27%	38%	44%
► Medium	62	56	66	56	52
► Strong	21	16	8	6	4
Share Who Shop Most Often at Tobacconist	72%	21%	65%	53%	48%
Top 3 Sources of Cigar Information	► Tobacconist ► Friends ► Cigar Aficionado	► Cigar Catalogs ► Friends ► Tobacconists	► Friends ► Tobacconists ► Co-Workers	► Friends ► Tobacconists ► Cigar Catalogs	► Friends ► Tobacconists ► Co-Workers

☐ = 120+ Index, vs. Total Sample

For the Most Part, All of the Consumer Segments Find the Same Factors to Be Most Important in the Cigar Purchase Decision

Purchase Criteria

- These "top tier" purchase criteria represent the antes in the category -- the qualities a cigar must have to gain entry into the considered set

Top Tier Factors Determining Cigar Purchase

	Top Tier Qualities	Top 2 Box * Total	Index to Total Sample: Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
Antes	Freshness	**90%**	108	107	103	101	91
Antes	Great taste	**90%**	107	104	106	99	97
Antes	Smooth taste	**83%**	100	106	104	99	100
	Aroma/smell	**77%**	113	101	108	106	90
	Well constructed	**75%**	$\boxed{121}$	115	108	104	80
	Easy to smoke	**74%**	107	109	89	101	92
	Past brand experience	**74%**	119	100	108	103	91
	High quality	**73%**	$\boxed{122}$	119	115	101	92
	Easy draw	**70%**	119	$\boxed{121}$	97	103	80

[ ] = 120+ Index, ( ) = 80 or Less Index vs. Total Sample
*Top 2 Box = Extremely/Very Important
Source: Cigar Management Framework, Section 3, Q1.

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The Segments Show Differences Among Factors When Looking at Middle Tier Purchase Criteria

Middle Tier Factors Determining Cigar Purchase

		Index to Total Sample				
Middle Tier Qualities	**Top 2 Box * Total**	**Relationship-Driven Connoisseurs**	**Savvy Self-Reliant Connoisseurs**	**Emerging Enthusiasts**	**Casual Enjoyers**	**Special Occasion Only**
Highest quality	**65%**	128	122	123	97	89
Full-bodied flavor	**60**	127	125	102	102	78
Good value	**59**	92	131	81	102	81
Mild taste	**59**	66	97	80	102	97
Easy to find/widely available	**54**	91	106	74	100	65
Size	**52**	110	152	106	96	77
Good for everyday	**52**	113	131	60	88	56
Brand reputation	**50**	134	112	108	92	94
Medium taste	**50**	104	120	92	102	92
		Want Quality and Discriminating on Brands	***Look for Quality at a Value***	***Want Quality***	***Want a Medium-Mild Taste at a Good Value***	

= 120+ Index, = 80 or Less Index vs. Total Sample
*Top 2 Box = Extremely/Very Important
Source: Cigar Management Framework, Section 3, Q1.

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The Most Involved Segments Show Strong Preference for Evaluating Cigars on Sensory Qualities of Shape, Feel and Color

Purchase Criteria

- ► Recommendations are especially important to the Emerging Enthusiasts

Bottom Tier Factors Determining Cigar Purchase

		Index to Total Sample				
Bottom Tier Qualities	**Top 2 Box * Total**	**Relationship-Driven Connoisseurs**	**Savvy Self-Reliant Connoisseurs**	**Emerging Enthusiasts**	**Casual Enjoyers**	**Special Occasion Only**
Shape	42%	136	136	81	90	71
Feel	40	155	143	108	85	63
Friend recommendation	37	119	92	149	76	141
Low price	36	42	119	61	89	64
Type of occasion	30	137	87	130	70	167
Color/wrapper	28	171	182	100	93	43
Country of origin	26	150	158	127	92	73
On sale/promotion	24	63	138	67	83	63
Strong taste	24	163	175	96	79	46
Packaging	21	119	133	62	86	52
Sales person recommendation	19	153	84	163	84	132
Magazine recommendation	9	200	178	122	67	44
		↑ *Evaluate Sensory Qualities*	↑ *Looking for Sensory Qualities and a Sale*	↑ *Looking for Recommend-ations*	↑ *Not Interested in Sensory Factors or Recom-mendations*	↑ *Looking for Rec. for occasion specific cigar*

☐ = 120+ Index vs. Total Sample

*Top 2 Box = Extremely/Very Important

Source: Cigar Management Framework, Section 3, Q1.

The Segments Are Motivated by Different Benefits and Cigars Play a Distinct Role in Each Segment's Life

Purchase Criteria

Benefit Hierarchy

	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
Ante:	▶ Fresh ▶ Great taste ▶ High quality	▶ Fresh ▶ Great taste ▶ High quality	▶ Fresh ▶ Great taste ▶ High quality	▶ Fresh ▶ Great taste	▶ Fresh ▶ Great taste
Driver:	▶ Highest quality ▶ Pleasing sensory qualities (aroma, feel, color) ▶ Full bodied flavor ▶ Tobacconist rec.	▶ Highest quality ▶ Pleasing sensory qualities ▶ Full bodied flavor ▶ A good price for the quality	▶ Highest quality ▶ Was rec. by friend, magazine, or tobacconist	▶ Trusted brand	▶ Was recommended ▶ Right for the occasion
Reassurance	▶ I've purchased the finest cigar – one which only true cigar connoisseurs appreciate	▶ I got a great price on a great cigar	▶ I have a great cigar, rec. by people who know	▶ I've got a good cigar to give me a pleasant smoking experience	▶ I've purchased a special cigar, just right for my special occasion
Role of Cigars:	▶ Their hobby and passion	▶ Their hobby and passion	▶ A social enhancer	▶ An occasional enjoyable activity	▶ A celebration enhancer

While the Segments Were Created Motivationally, They Also Show Important Differences Demographically

Demographics

- Relationship Driven Connoisseurs, Emerging Enthusiasts, and Special Occasion Only are the most affluent

Demographic Summary*

	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
Mean Age (Years)	39	45	38	44	35
% Under Age 35	41%	17%	43%	20%	59%
% Single/Divorced/ Widowed	44%	38%	35%	23%	45%
% with Children <18	35%	37%	39%	46%	30%
Mean Household Income	$61,000	$53,900	$71,500	$54,700	$61,600
% College Graduates+	44%	43%	70%	43%	63%
% with Managerial/ Prof./Exec. Occupations	44%	36%	58%	44%	52%
% Employed Full-Time	84%	66%	91%	77%	88%
% Retired/Not Employed	7%	20%	1%	13%	3%
% Owning Own Business	18%	22%	15%	16%	15%

☐ = 120+ Index

* Additional detail provided in Appendix

Source: Cigar Management Framework, Panel Data, Section 1, Q1, Section 6, Q2a

Cigar Aficionado Is an Effective Media Vehicle for Reaching the Connoisseurs, but Not the Other Segments

Media/Lifestyle

Media and Lifestyle Summary*

	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
Top 3 Magazines	▶ Cigar Aficionado ▶ Playboy ▶ Sports Illustrated	▶ Cigar Aficionado ▶ Playboy ▶ Newsweek	▶ Sports Illustrated ▶ Playboy ▶ Newsweek	▶ Newsweek ▶ Field & Stream ▶ Sports Illustrated	▶ Sports Illustrated ▶ Playboy ▶ Men's Health
% with Internet Access	66%	54%	77%	60%	68%
Top 3 Lifestyle Activities	▶ Gardening ▶ Playing Cards ▶ Golf	▶ Gardening ▶ Fresh fishing ▶ Golf	▶ Golf ▶ Exercise Machines ▶ Gardening	▶ Gardening ▶ Fresh Fishing ▶ Playing Cards	▶ Golf ▶ Weight Lifting ▶ Exercise Machines

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* Additional detail provided in Appendix

Review of Key Motivational Segments

Summary

Key Findings	*Implications*
▶ Premium cigar consumers fall into several different segments, each with distinct motivations towards cigars — These segments vary significantly in size and importance	▶ Our greatest chance for success will come from focusing our resources on a target segment which we believe we can motivate
▶ Each of these consumer segments has slightly different cigar purchase criteria	▶ For each of our brands, we need to decide which segment is the most aligned with what we have to offer
▶ The tactics required to influence the consumer will vary from segment to segment because they have — Different levels of cigar knowledge — Different channel preferences — Different purchase influencers — Different media and leisure interests	▶ As we evaluate our ability to motivate a particular segment to choose our brands we must also evaluate our ability to deliver the desired brand message through — Selling channels — Advertising and promotion — Other purchase influencers

Agenda

- Today's Objectives
- Review of Key Motivational Segments
- **Brand Performance by Segment**
- Cigar Need States
- Profile of Brand Users
  - Motivations
  - Category Behavior
  - Demographics, Lifestyle, and Media
- Brand Imagery Among Brand Users
- Opportunity Selection and Strategy Exercises
- Appendix

Partagas Gets Half of Its Volume Today from Relationship-Driven Connoisseurs

Segment Importance

- Macanudo sources volume from all the premium segments, including a significant piece from Special Occasion Onlys
- Cohiba draws a disproportionate share of volume from Emerging Enthusiasts and Casual Enjoyers

Source of Volume Among General Cigar Premium Brands
(% of Brand Volume Contributed by Each Segment)

	% of All Premium Brand Volume	Macanudo Volume	Partagas Volume	Cohiba Volume
Relationship Driven Connoisseurs	**38%**	31%	$\boxed{51\%}$	32%
Savvy Self-Reliant Connoisseurs	**25**	28	19	6
Emerging Enthusiasts	**11**	12	8	$\boxed{23}$
Casual Enjoyers	**12**	11	11	$\boxed{34}$
Special Occasion Only	**3**	$\boxed{10}$	4	4
Established Loyalists	**7**	2	5	0
Constrained Indulgence Seekers	**1**	2	1	0
Unenthusiastic Functionalists	**3**	5	1	1
	100%	100%	100%	100%

☐ = 120 Indices vs. % of sample

Source: Cigar Management Framework, Section 2, Q.19D

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Before We Begin to Make Decisions, We Offer a Few Thoughts on the Power of Targeting

- Why are motivationally driven targets important?
- Targeted marketing achieves higher return on marketing spending by allocating resources towards the consumers who should be the most responsive to your offer
- Offers and communications must be motivating to the target to be effective
  - Real growth comes from aligning your message and products to the needs and motivations of priority segments
  - "Average" messages which attempt to appeal to everyone are often compelling to nobody
- To find growth opportunities, we must identify who we think can motivate based on our understanding of different segments of consumers

► Objective is to make a meaningful impact against best prospect ◄

Our Premium Competitors Also Get a Large Portion of Their Volume From the Two Connoisseur Segments

Segment Importance

- Fuente also gets a significant amount of volume from the Casual Enjoyers segment
- Montecristo and Davidoff get a disproportionate share of volume from Emerging Enthusiasts

Source of Volume Among Competitive Premium Brands
(% of Volume Contributed by Each Segment)

	% of All Premium Brand Volume	Fuente Volume	H. Upmann Volume	Don Diego Volume	Te Amo Volume	Montecristo Volume	Davidoff Volume
Relationship Driven Connoisseurs	38%	47%	$\boxed{53\%}$	$\boxed{51\%}$	46%	$\boxed{64\%}$	$\boxed{73\%}$
Savvy Self-Reliant Connoisseurs	25	19	22	24	26	5	7
Emerging Enthusiasts	11	12	11	10	6	$\boxed{22}$	$\boxed{18}$
Casual Enjoyers	12	$\boxed{21}$	11	6	4	4	0
Special Occasion Only	3	0	1	0	2	2	1
Established Loyalists	7	0	0	7	$\boxed{14}$	0	1
Constrained Indulgence Seekers	1	0	0	0	0	3	0
Unenthusiastic Functionalists	3	0	0	1	2	0	0
	100%	100%	100%	100%	100%	100%	100%

$\boxed{}$ = 120 Indices vs. % of sample

Source: Cigar Management Framework, Section 2, Q.19D

Macanudo's Share Lead Varies by Segment; Among Relationship-Driven Connoisseurs and Casual Enjoyers, It's in a Dead Heat with Fuente

Brand Shares

- Partagas' strongest share position is among Relationship-Driven Connoisseurs, but many other brands are close
- Cohiba does best with Emerging Enthusiasts and Casual Enjoyers

Premium Brand Shares by Segment
(% of Past Three Month Purchases)

	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
Share of All Premium Purchases	38%	25%	11%	12%	3%
General Cigar Brand Shares					
Macanudo	12%	16%	16%	13%	49%
Macanudo Vintage	2	1	<1	3	3
Partagas	8	5	5	6	9
Cohiba	4	1	10	12	6
Punch	7	9	6	3	2
Hoyo de Monterrey	7	4	1	2	0
Hoyo de Monterrey Excalibur	4	5	1	2	<1
Key Competitive Brand Shares					
Fuente	11	7	10	15	1
H. Upmann	9	6	7	6	3
Don Diego	5	4	4	2	<1
JR Ultimates	3	7	4	0	<1
Te Amo	4	4	2	1	2
Montecristo	4	<1	5	1	2
Dunhill	2	1	4	1	5

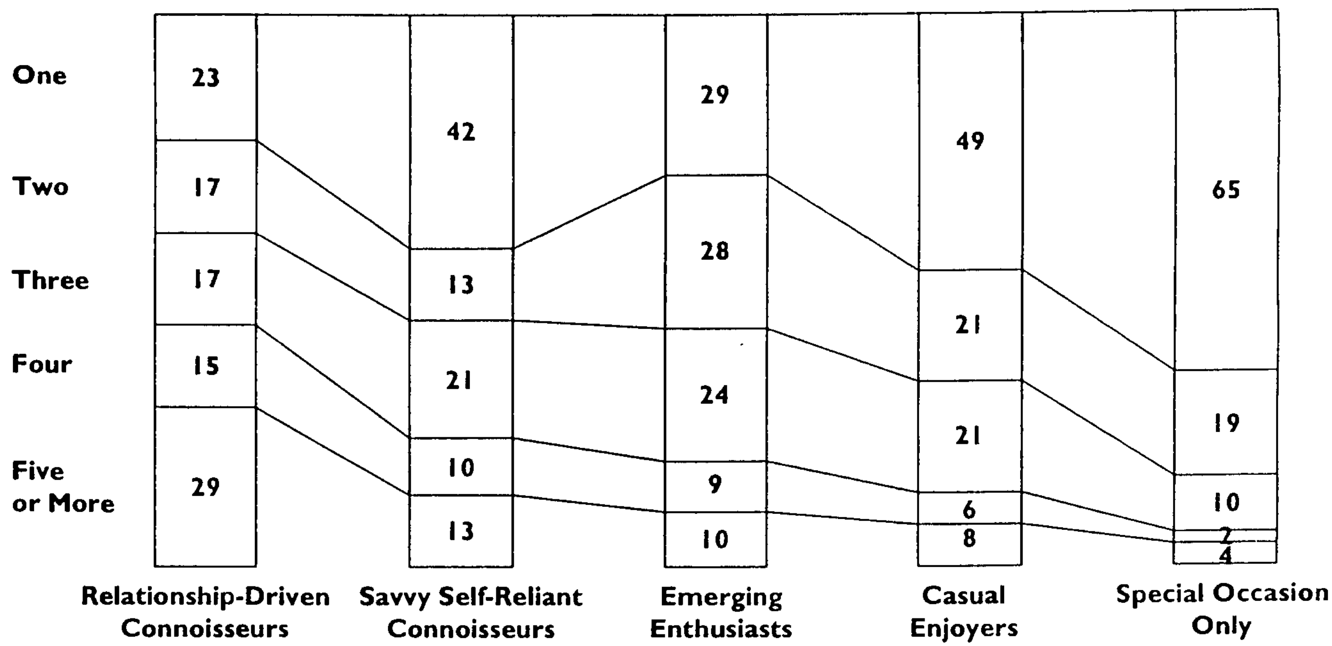
☐ = 120 Indices vs. % of sample

Source: Cigar Management Framework, Section 2, Q.19.d

Nearly a Third of Relationship-Driven Connoisseurs Smoke Five or More Brands; the Key to Growing a Brand with This Segment Is to Gain Increased Share of Requirements

Brand Loyalty

Number of Brands Smoked Regularly by Segment
(% of Smokers)



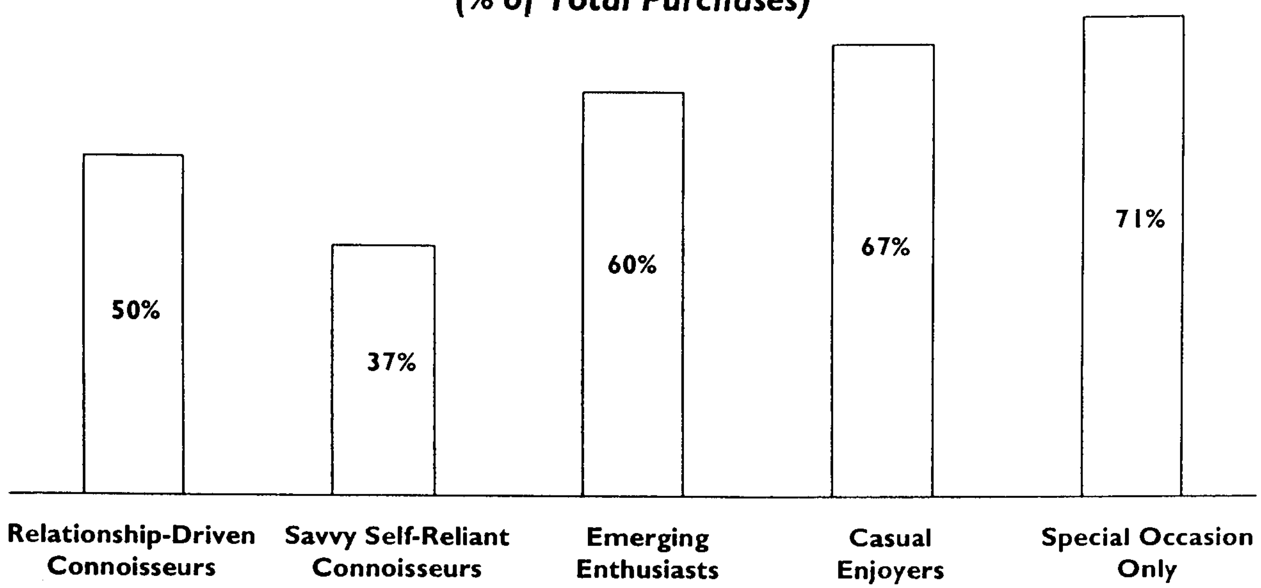
	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
Average Number of Brands Smoked Regularly	3.9	2.6	2.6	2.1	1.7

Note: Number of brands may be understated somewhat; "other" counted as a single brand
Source: Cigar Management Framework, Section II, Q.19b

Connoisseurs Are Less Likely to Let a Single Brand Meet the Majority of Their Requirements, Consistent with the Variety Nature of the Cigar Category

- Any one brand has considerable upside without trying to become 100% of their requirements

Average Loyalty to Most Often Purchased Brand (% of Total Purchases)



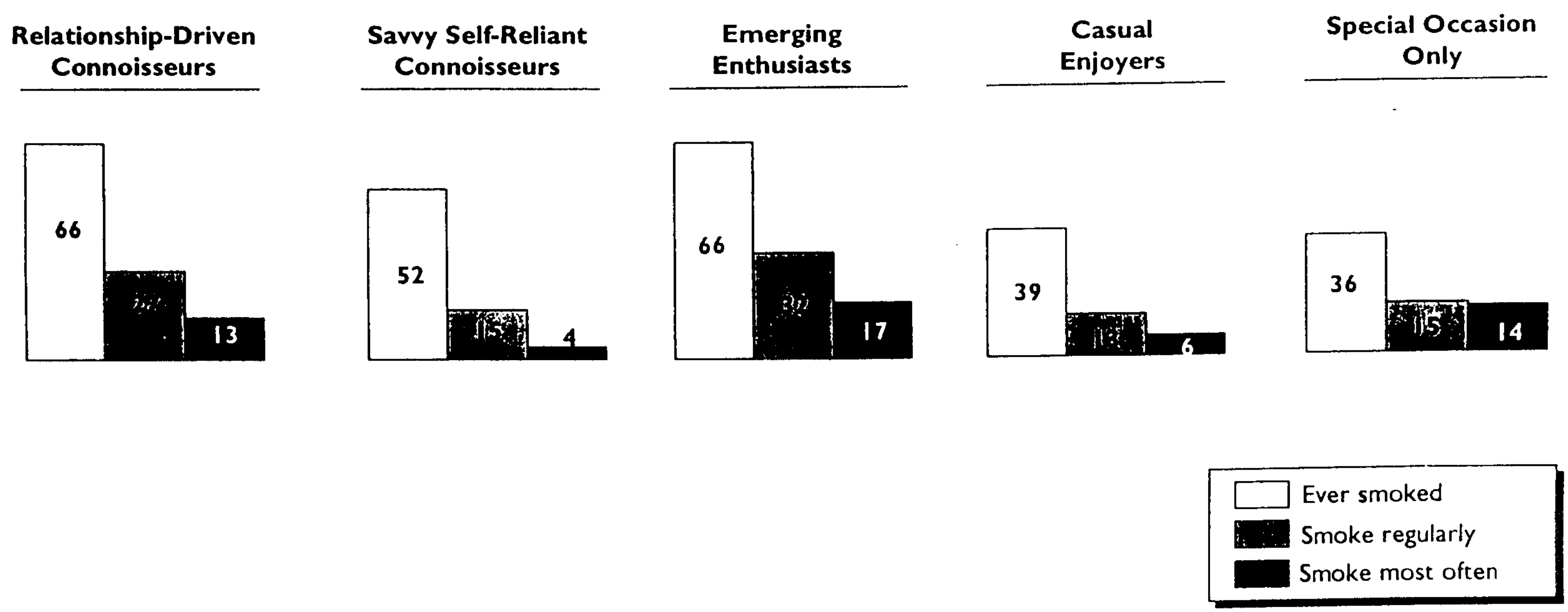
Source: Cigar Management Framework, Section 2, Q.19d

Macanudo Has High Trial Rates and Strong Loyalty Among Those Who Smoke It Regularly

Trial and Usage

- Key to growth will be increasing regular use among triers

Macanudo Trial, Usage, and Loyalty by Segment
(% of Segment)



Source: Cigar Management Framework, Section II, Q. 19a,b,f

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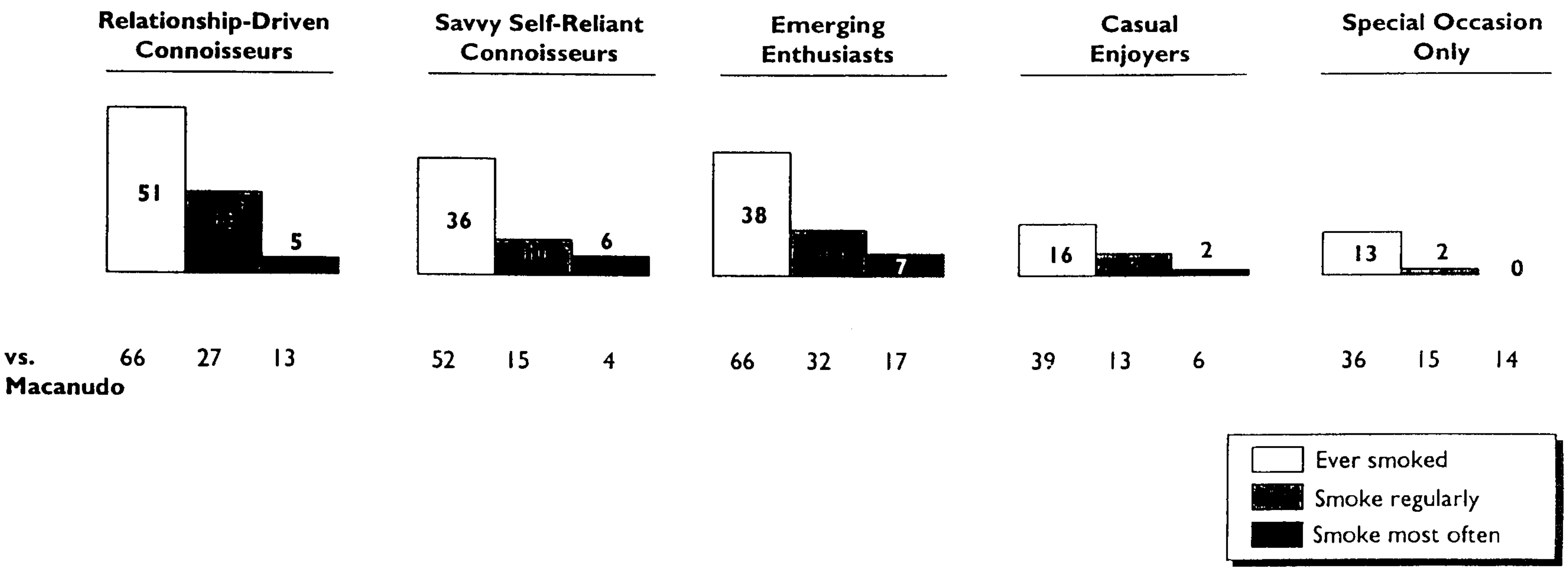
For Comparison, Fuente Has Difficulty Capturing Loyalty of Its Relationship-Driven Connoisseurs, Perhaps Due to Its Sporadic Availability

- Macanudo still enjoys a significant trial advantage over Fuente

Fuente Trial, Usage, and Loyalty by Segment
(% of Segment)

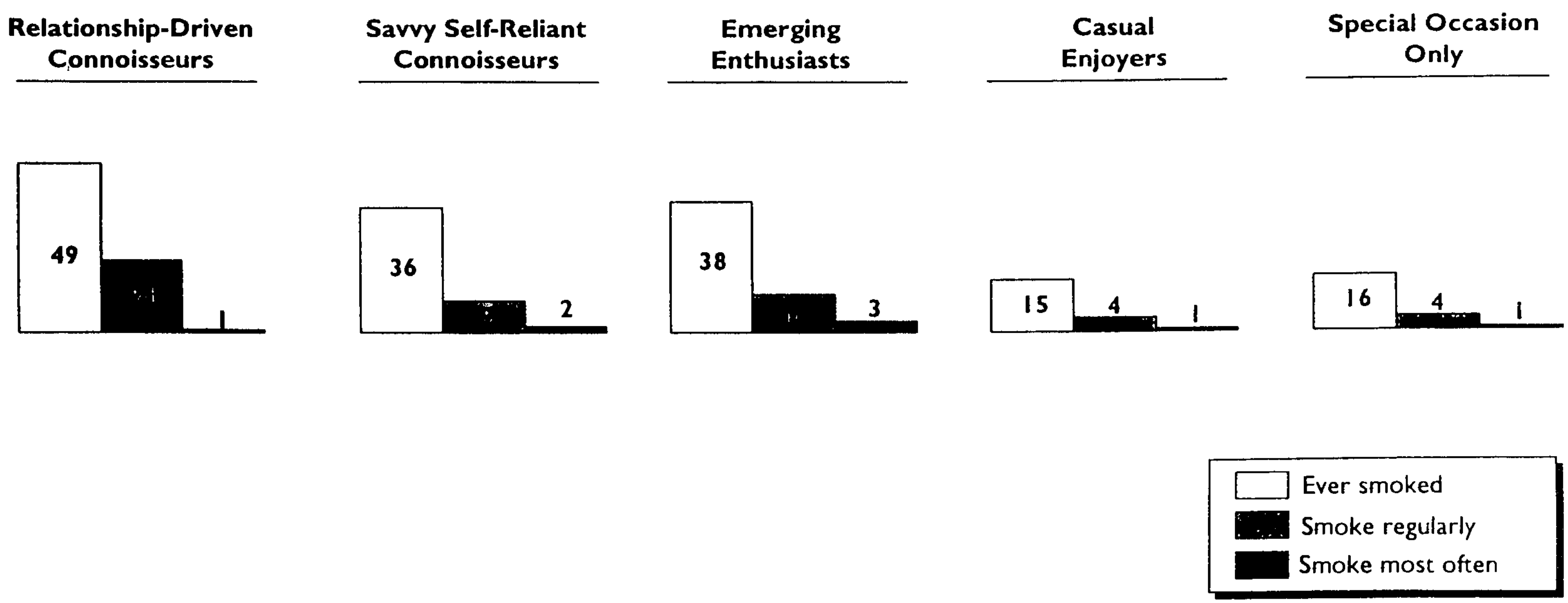


Source: Cigar Management Framework, Section II, Q. 19a,b,f

Partagas Is Having Difficulty Converting Triers to Regular Users

Trial and Usage

Partagas Trial, Usage, and Loyalty by Segment (% of Segment)

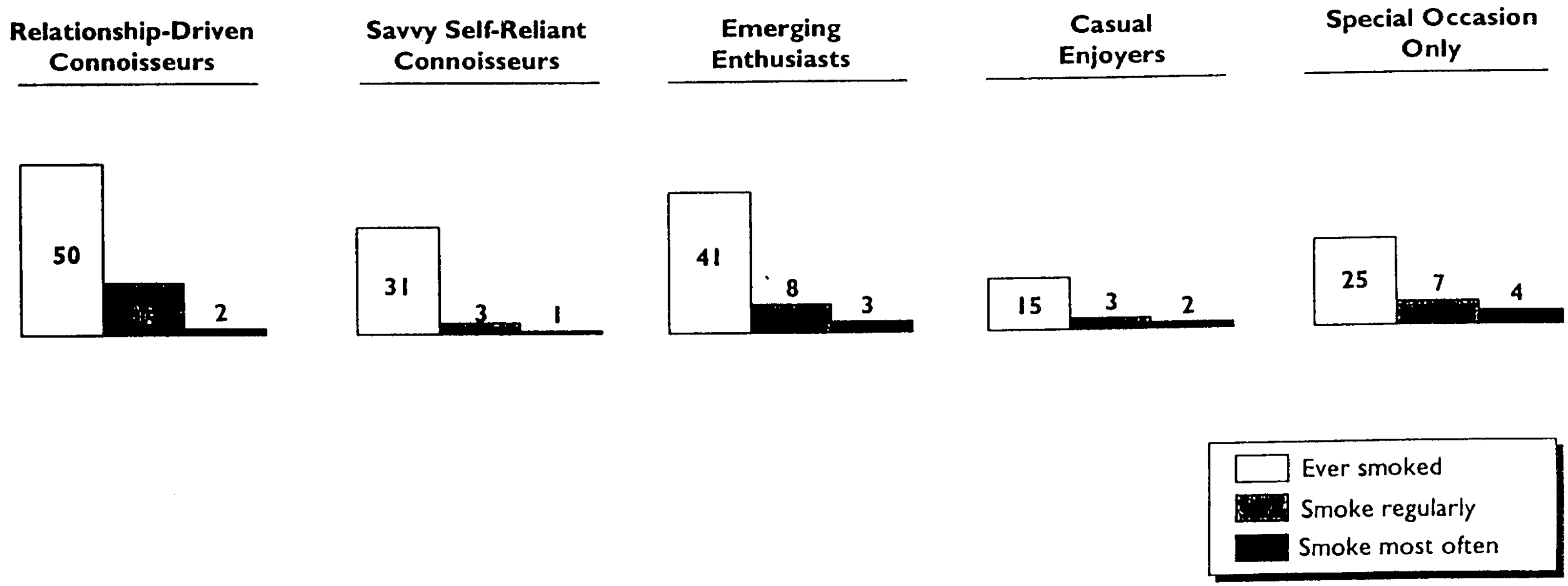


Source: Cigar Management Framework, Section II, Q. 19a,b,f

Cohiba Has Good Trial Rates Among Connoisseur/ Enthusiast Segments, but Low Conversion to Regular or Loyal Users

- Cohiba does better among Special Occasion Only

Cohiba Trial, Usage, and Loyalty by Segment
(% of Segment)



Source: Cigar Management Framework, Section II, Q. 19a,b,f

Brand Performance by Segment

Summary

Key Findings	*Implications*
▸ Partagas gets 70% of its volume from the two Connoisseur segments	▸ Our strategy for the brand must take into account the importance of these segments today
▸ Macanudo volume is more broadly sourced across the segments	▸ We may want to target Macanudo to a particular need state in order to maintain its broad base, but establish a differentiated strategy versus other brands
▸ Macanudo trial rates are high across the segments; key to growth will be increasing regular use	▸ We will need to apply our understanding of what different segments seek in a cigar and align Macanudo accordingly
▸ Macanudo faces its tightest share battle with Fuente among the Relationship-Driven Connoisseurs, however, this is the segment where Partagas is the strongest	▸ Significant opportunity to use these two brands in a coordinated fashion to fight Fuente
▸ A major portion of Cohiba volume comes from Emerging Enthusiasts and Casual Enjoyers	▸ There may be targeting opportunities for Cohiba outside of the Connoisseur segments, or to a Need State that cuts across segments

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Understanding "Need States" and How Smokers Satisfy Them Will Help Us Identify Additional Targeting Opportunities

- A "need state" is a unique occasion or set of circumstances which cause consumers to smoke a cigar, which frequently leads to unique needs and purchase criteria
- By understanding the nature of the need state and linking it to brand usage, we can understand how consumers use cigar brands differently
- Need states often provide an additional level of targeting
  - Enables each brand to define "to whom, for what" — who do we want to use the brand and for what purpose
- In prior qualitative research, we identified four common need states among cigar smokers and included them in the segmentation questionnaire
  - "Everyday relaxation"
  - "Socializing with others"
  - "Special occasions and celebrations"
  - "Quick breaks"

Choosing to Target a Particular Need State Has Several Executional Implications

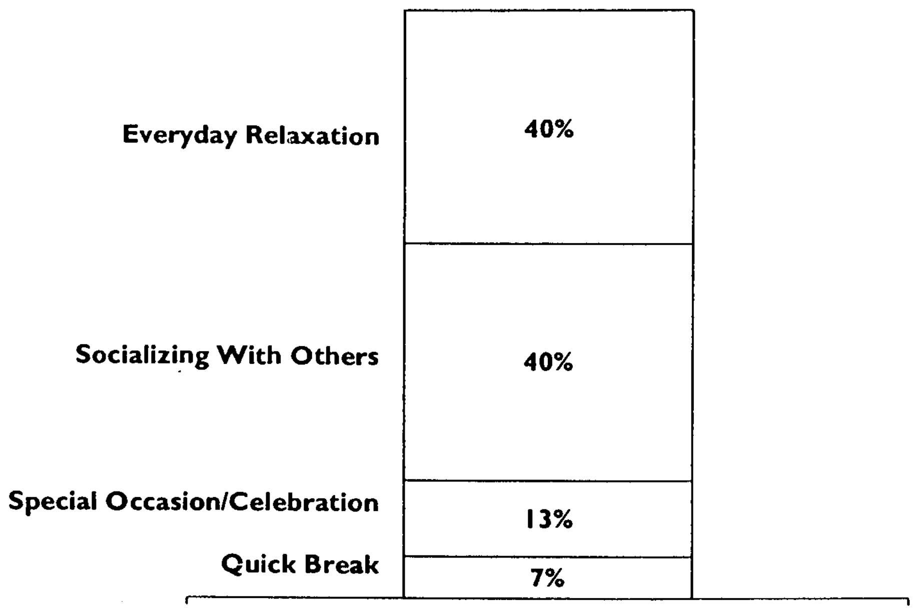
Need States

Advertising Development →	Choose message and visuals which link the brand to the target need state and reinforce brand features that make it a particularly suitable choice for that occasion
Promotion →	Choose complimentary partners and develop promotions which link the brand to the target need state
Distribution →	Whenever possible, ensure brand is well distributed to locations where the need state occurs

Everyday Relaxation and Socializing With Others Are the Most Common Need States for Premium Cigars

Mix of Need States

Occasions When A Premium Cigar Was Chosen (% of Occasions)



Source: Cigar Management Framework, Section 4, Q.1, Q.7 and Q.10

Everyday and Quick Break Occasions Are More Likely to Occur Throughout the Day and the Week Than Special or Social Occasions

- Socializing is more of a nighttime, weekend activity

Need States by Time of Day/Week

	Everyday Relaxation	Socializing with Others	Special Occasion/ Celebration	Quick Break
Time of Occasion				
Morning	8%	4%	1%	10%
Lunchtime	2	2	3	5
Early afternoon	13	10	10	24
Late afternoon	26	20	17	29
Dinnertime	6	10	10	8
At night	45	54	59	24
Day				
Weekday	65	34	32	49
Weekend	35	66	68	51

This suggests clear differences in communicating to the consumer based on the Need State we want to target

Source: Cigar Management Framework, Section 4, Q.2, Q.3

Everyday Relaxation Typically Takes Place at Home, With the Smoker Doing Little Else but Enjoying the Cigar

Need State Characteristics

- Drinking alcohol is a very common accompaniment to smoking on social and special occasions

Need State Location/Activities

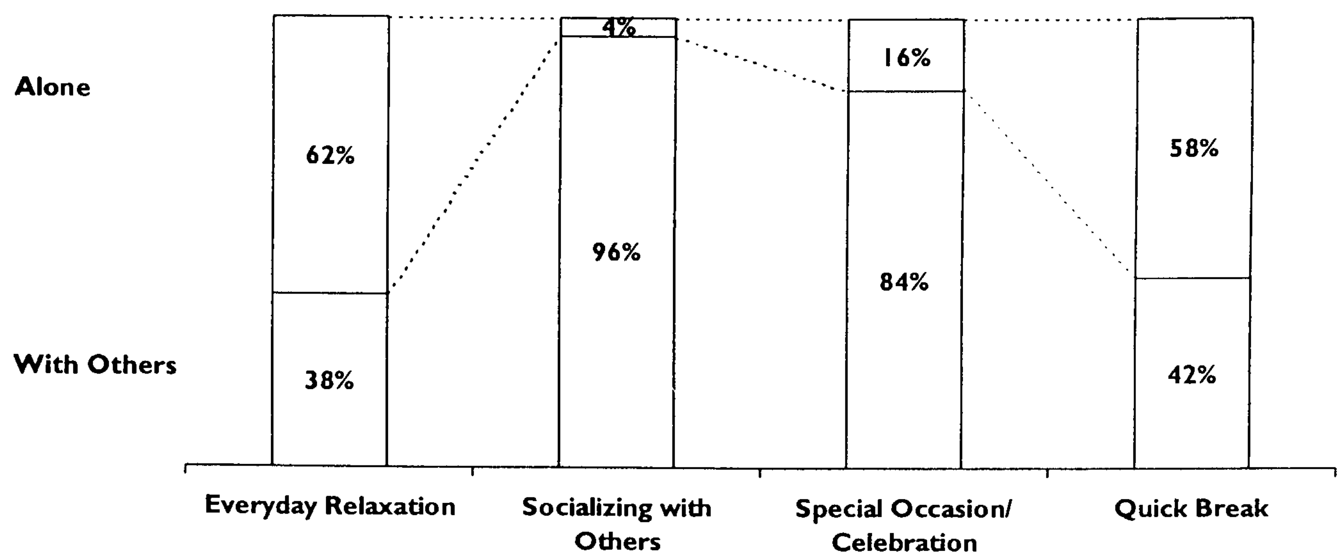
	Everyday Relaxation	Socializing with Others	Special Occasion/ Celebration	Quick Break
Location Where Need State Occurred				
At home – outside	47%	17%	24%	35%
At home – inside	28	10	8	15
Away from Home:				
► In the car	12	3	1	13
► At work	6	2	2	23
► Friend's house	4	24	15	3
► In a bar/restaurant/club	4	19	16	3
► On a golf course	3	13	9	2
Activities Participating In During Need State				
Drinking alcohol	24%	53%	53%	13%
Resting after eating	21	13	20	17
Driving	13	2	2	18
Watching recreation/sports	9	6	7	4
Drinking coffee	6	2	7	4
Participating in recreation/sports	4	18	13	3
None of these things	33	13	18	42

Source: Cigar Management Framework, Section 4, Q.4, Q.5

Everyday Relaxation And Quick Break Tend To Be More Solitary Occasions, Although They Are Not Exclusively So

Need State Characteristics

Need States
(Who Was There)



Source: Cigar Management Framework, Section 4, Q.6, Q.8

A Quick Break Is the One Need State That Tends to Drive Consumers to a Particular Size of Cigar - Shorter and Smaller

Choice of Cigar

- However, a Quick Break cigar still lasts nearly half an hour on average

Cigar Length/Width by Need State (% of Occasions)

	Everyday Relaxation	Socializing with Others	Special Occasion/ Celebration	Quick Break
Cigar Length				
Long (e.g., Churchill)	17%	21%	22%	17%
Medium (e.g., Corona)	60	62	61	41
Short (e.g., Robusto)	16	11	11	$\boxed{28}$
Cigar Width/Gauge				
Large (e.g., Robusto)	17%	19%	19%	16%
Medium (e.g., Corona)	56	61	58	45
Small (e.g., Petit Corona)	15	10	11	$\boxed{22}$
Average Time Spent Smoking	**34 min.**	**48 min.**	**45 min.**	**28 min.**

Source: Cigar Management Framework, Section 4, Q.12A, 12B, Q.13

Macanudo's Strongest Share Advantage Is on "Socializing" Occasions

Choice of Brand

- Cohiba also performs well on Socializing occasions, where Montecristo is a strong competitor

Brand Smoked at Need State
(When Premium Cigar Was Chosen)

	Everyday Relaxation	Socializing with Others	Special Occasion/ Celebration	Quick Break
% of Premium Occasions	40%	40%	13%	7%
Brand Share Among <u>Premium Brands</u>				
Macanudo	13%	16%	13%	13%
Partagas	5	4	4	9
Cohiba	4	$\boxed{8}$	5	6
Punch	6	3	6	4
Hoyo de Monterrey	1	1	2	0
Hoyo de Monterrey Excalibur	3	2	0	4
<u>Key Competitor Share</u>				
Fuente	8	8	6	6
Upmann	4	4	4	2
Montecristo	2	7	8	0

Source: Cigar Management Framework, Section 4, Q.10

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Everyday Relaxation Is the Most Commonly Experienced Need State for Both Savvy Self-Reliants and the Casual Enjoyers

Need States By Segment

- Relationship Driven Connoisseurs have a more even balance of social and relaxation Need States
- Socializing with Others is the most common Need State for the Emerging Enthusiasts and Special Occasion Only

Most Recent Need State Experienced by Segment (% of Segment Occasions)

Need States	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
Everyday Relaxation	48%	57%	24%	59%	10%
Socializing with Others	32	26	53	21	53
Special Occasion/ Celebration	15	7	19	9	28
Quick Break	5	10	4	11	9

Source: Cigar Management Framework, Section 4, Q.7

Each Segment Has Slightly Different Criteria for Choosing a Cigar for "Everyday Relaxation"

Cigar Criteria

Reasons Why Particular Brand Was Chosen for "Everyday Relaxation" (% Mentions)

Reasons Why Brand Chosen	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only*
One of my favorites	58%	51%	49%	53%	*
Had it on hand	48	45	36	41	
Was affordable	15	19	22	22	
Wanted a full-flavored taste	30	25	20	16	
Wanted a milder cigar	14	17	7	17	
Wanted to savor the moment	25	10	5	9	
Wanted the highest quality	23	15	20	3	
Wanted a prestigious brand	8	7	14	2	
Wanted a stronger cigar	10	6	2	1	
Wanted something unique	6	2	12	4	
Friend recommended it	3	1	5	1	
Salesperson recommended it	3	1	9	4	
	↑ A time to smoke a favorite cigar, with full flavor and high quality	↑ A time to smoke a favorite, milder/medium cigar	↑ A time to smoke a high quality, prestigious brand	↑ A time to smoke a milder cigar	

*Not a common need state for this segment

Source: Cigar Management Framework, Section 4, Q.11

Each Segment Has Slightly Different Criteria for Choosing a Cigar for "Socializing with Others"

Cigar Criteria

Reasons Why Particular Brand Was Chosen for "Socializing with Others"
(% Mentions)

Reasons Why Brand Chosen	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
One of my favorites	65%	55%	59%	39%	48%
Had it on hand	23	33	27	46	38
Was affordable	17	20	14	27	19
Wanted a full-flavored taste	30	25	17	7	0
Wanted a milder cigar	11	18	11	9	10
Wanted to savor the moment	18	15	14	2	7
Wanted the highest quality	29	15	17	9	2
Wanted a prestigious brand	23	0	10	5	7
Wanted a stronger cigar	11	5	2	0	0
Wanted something unique	15	3	8	11	2
Friend recommended it	5	3	7	7	14
Salesperson recommended it	0	0	9	0	5
	↑ A time to smoke a prestigious high-quality, full-flavored cigar	↑ At time to smoke a milder but full flavored cigar	↑ A time to smoke a favorite brand or get a recommendation	↑ A time to smoke is whatever is on hand or affordable	↑ A time to look to friends for recommendations

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Each Segment Has Slightly Different Criteria for Choosing a Cigar for "Special Occasion/Celebration"

Cigar Criteria

***Reasons Why Particular Brand Was Chosen for "Special Occasion/Celebration"* (*% Mentions*)**

Reasons Why Brand Chosen	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
One of my favorites	44%	*	45%	39%	32%
Had it on hand	22		23	39	24
Wanted to savor the moment	28		28	26	8
Wanted a full-flavored taste	33		21	17	4
Was affordable	17		19	4	20
Wanted the highest quality	17		25	9	12
Wanted a milder cigar	11		15	12	16
Wanted something unique	8		19	17	4
Wanted a prestigious brand	17		11	9	12
Given to me	6		9	4	20
Friend recommended it	8		4	0	12
Wanted a stronger cigar	3		6	9	0
Salesperson recommended it	3		2	0	20
	↑ A time to smoke a prestigious, full-flavored cigar to help savor the moment		↑ A time to smoke a unique, prestigious, highest quality cigar to savor the moment	↑ A time to smoke something unique to help savor the moment	↑ A time to look for recommendations (or just smoke what you're given)

*Not a common Need State for this segment

Source: Cigar Management Framework, Section 4, Q.11

Cigar Need States

Summary

Key Findings

- Cigar smokers experience several different Need States, each with its own set of circumstances and accompanying behaviors
- Everyday Relaxation and Socializing with others are the two most commonly experienced Need States among premium cigar smokers
  - However, each segment experiences these Need States with different frequency
  - For some segments, Special Occasion/Celebration is also an important Need State
- Each segment has slightly different purchase criteria when it comes to selecting a cigar for a particular Need State
- Macanudo and Cohiba are more likely to be chosen for Socializing with Others and Special Occasion/Celebration
  - Partagas does not stand out on any particular need state
- Judgmentally, there are few if any premium cigar brands today which are using Need States effectively to market to consumers
  - Unlike other product categories like soft drinks, fast food

Implications

- Building a detailed understanding of Need States will allow us to maximize brand relevance, set an appropriate context for our brands in advertising, and choose suitable promotion partners
- Choice of target segment will drive selection of which Need States are most important to focus on
- Defining a target need state in addition to a target segment will provide additional opportunities to differentiate brand on key benefits sought
- We may choose to bolster Macanudo and Cohiba's current association with this Need State if we believe we can deliver on what smokers are looking for
  - We will need to work to create the "right" Need State for Partagas in consumers' minds
- Strategically, if we are the first mover to create a framework for consumers to think about Need States differently and align our brands accordingly, we could develop a tremendous advantage

Agenda

- Today's Objectives
- Review of Key Motivational Segments
- Brand Performance by Segment
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  - Motivations
  - Category Behavior
  - Demographics, Lifestyle, and Media
- Brand Imagery Among Brand Users
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Macanudo's Broad Appeal Means That Its Regular Users Do Not Show Strong Motivational Differences From Premium Smokers in General

Motivations

Regular Macanudo Smokers Attitude Summary (Top 2 Box % Agree)*

	Premium Brand Users	Regular Macanudo Smokers	% Point Difference
Stronger Than Average Agreement			
I wish there were more places to go where I could smoke a cigar	38%	45%	7
My work requires me to work long hours	55	63	7
I like to smoke a range of tastes	42	49	7
I usually leave the band on a cigar when I smoke it	41	48	7
For special events, it's more important to have a brand with some prestige	30	37	7
I enjoy planning ahead to smoke a cigar	40	46	6
Tobacconists are the best place to buy cigars	36	43	6
Having close friendships is critical to happiness	62	68	6
I'm so busy that when I do take time off, I really want to make my free time count	59	66	6
I enjoy shopping for cigars	43	49	6
I like to discover new and different places to go	63	68	6
Relationships are important to me	82	87	6
I have a few cigar brands I typically buy most often	67	73	6
I buy mainly premium priced cigars	42	48	6
Below Average Agreement			
Cigar manufacturers are exploiting me through price increases	35	29	-6
My preferences have evolved over time towards stronger cigars	24	18	-6
I like to smoke a full-flavored cigar	56	49	-7
I am completely satisfied with my physical appearance	35	29	-7

Note: *Top 2 Box = Completely/Somewhat Agree
Source: Cigar Management Framework, Section 1, Q.1A

Partagas Smokers Have a Love of Cigars and Enjoy Shopping at the Tobacconist

Motivations

- They also tend to prefer fuller-flavored cigars

Regular Partagas Smokers Attitude Summary
(Top 2 Box % Agree*)

Stronger Than Average Agreement	Regular Premium Smokers	Regular Partagas Smokers	% Point Difference
I enjoy shopping for cigars	43%	66%	22
I really enjoy owning a humidor	32	54	22
I wish there were more places to go where I could smoke a cigar	38	60	22
I buy mainly premium priced cigars	42	61	19
I like to smoke a range of taste	42	61	19
I love cigars	51	67	17
Friends often ask me for recommendations on cigars	27	44	16
I regularly smoke cigars	31	47	16
I'm extremely knowledgeable about cigars	17	33	16
I frequently treat myself to some of life's little luxuries	63	77	14
I enjoy taking risks	32	46	14
I usually leave the band on a cigar when I smoke it	41	56	14
A good cigar can make any occasion special	46	60	14
I like to smoke a full-flavored cigar	56	70	14
Cigar smoking is one of life's little pleasures	61	75	14
I'm extremely happy with my life	63	77	14
Tobacconists are the best place to buy cigars	36	50	14
When I go to the tobacconist, I feel like a kid in a candy store	36	50	14
Below Average Agreement			
Cigar bars get too smoky for me to enjoy regularly	33	21	-13
I prefer mild tasting cigars	40	27	-13
Cigar smoking isn't that important to me	27	13	-13
Except for my favorites, I'm not really sure which brands of cigars have the kind of taste I like	40	23	-17

Note: *Top 2 Box = Completely/Somewhat Agree
Source: Cigar Management Framework, Section 1, Q.1A

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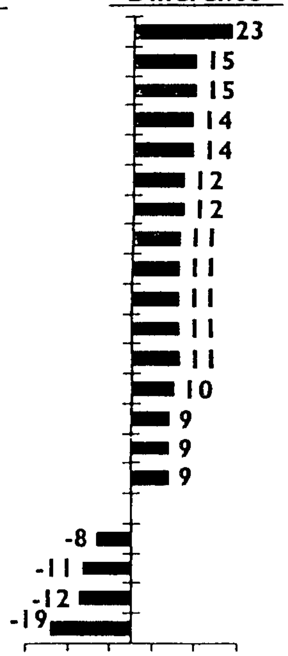
Cohiba Users Have a Love of Cuban Cigars and Would Switch to Them If They Were Legal

Motivations

- Cohiba smokers also tend to be more social people and very involved with their appearance

Regular Cohiba Smokers Attitude Summary
(Top 2 Box % Agree*)

Stronger Than Average Agreement	Regular Premium Smokers	Regular Cohiba Smokers	% Point Difference
I prefer Cuban cigars to any other	23%	46%	23
I enjoy taking risks	32	47	15
I'm extremely happy with my life	63	78	15
Tobacconists are the best place to buy cigars	36	50	14
If Cuban cigars were legal, I'd switch most of my smoking to Cubans	30	44	14
Shopping for cigars is like an adventure	30	42	12
I have a lot of friends who smoke cigars	26	38	12
If Cuban cigars were legal, I'd expect the price of premium cigars to drop significantly	52	63	11
Friends often ask me for recommendations on cigars	27	38	11
I really enjoy owning a humidor	32	43	11
I generally smoke cigars with friends/other people	40	51	11
I'm so busy that when I do take time off, I really want to make my free time count	59	70	11
I'm extremely interested in going to cigar bars	16	26	10
Making sure I look my best at all times is very important to me	39	48	9
I frequently entertain guests at home	26	35	9
I consider myself to be very fashion conscious	20	29	9
Below Average Agreement			
I spend most of my free time at home	52	44	-8
I can't afford all the luxuries of life	58	47	-11
I enjoy going to the tobacconist to look at all the different cigars, even though I still buy the same brand I usually smoke	35	23	-12
I prefer stores that offer the lowest prices	55	36	-19



Note: *Top 2 Box = Completely/Somewhat Agree
Source: Cigar Management Framework, Section 1, Q.1A

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Profile of Brand Users

- The section contains a motivational, behavioral, and demographic profile of our brands' current users
- This information is intended to
  - Help us understand who each of our brands has succeeded with to-date
  - Identify any significant differences among our current users that could help aid brand strategy development
  - Aid in identifying appropriate media vehicles, promotion ideas, etc. which are intended to reach out to current users

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Cohiba Smokers Spend the Most on Average Per Cigar

Behavior Summary

- Partagas and Cohiba users prefer strong cigars

Key Behavior Summary

	Premium Brand Users	Macanudo	Partagas	Cohiba
Average Number of Cigars Smoked Per Week	3.7	3.2	4.1	3.1
Average Price Paid Per Cigar	$6.01	$6.64	$6.64	$\boxed{\$8.64}$
Share of Regular Users Smokling 5 Years or Less	39%	40%	32%	42%
Average Knowledgeability Self-Rating (10 Pt. Scale)	5.5	5.5	$\boxed{6.4}$	5.7
Share Who Typically Smoke Socially	29%	34%	25%	$\boxed{37\%}$
<u>Taste Preference</u>				
► Mild	29%	30%	14%	26%
► Medium	58	60	63	55
► Strong	14	10	$\boxed{23}$	$\boxed{19}$
Share Who Shop Most Often at Tobacconist	53%	62%	$\boxed{70\%}$	$\boxed{64\%}$
Top 3 Sources of Cigar Information	► Friends ► Tobacconist ► Cigar Catalog	► Friends ► Tobacconist ► Cigar Aficionado	► Tobacconist ► Friends ► Cigar Catalogs	► Tobacconist ► Friends ► Cigar Aficionado

$\boxed{}$ = 120+ Index, vs. Premium Brand Users

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Partagas Smokers Smoke More Often than Macanudo or Cohiba Smokers

Smoking Frequency

Cigar Smoking Frequency
(% of Smokers)

Indulgent Activity	Premium Brand Users	Regular Users of Brand: Macanudo	Regular Users of Brand: Partagas	Regular Users of Brand: Cohiba
Once a day or more	13%	11%	16%	11%
Once a week or more	52	50	$\boxed{66}$	55
Once a month or more	88	89	99	93
Less than once a month	12	11	1	7
Avg. # of Cigars Smoked/Week	3.7	3.2	4.1	3.1

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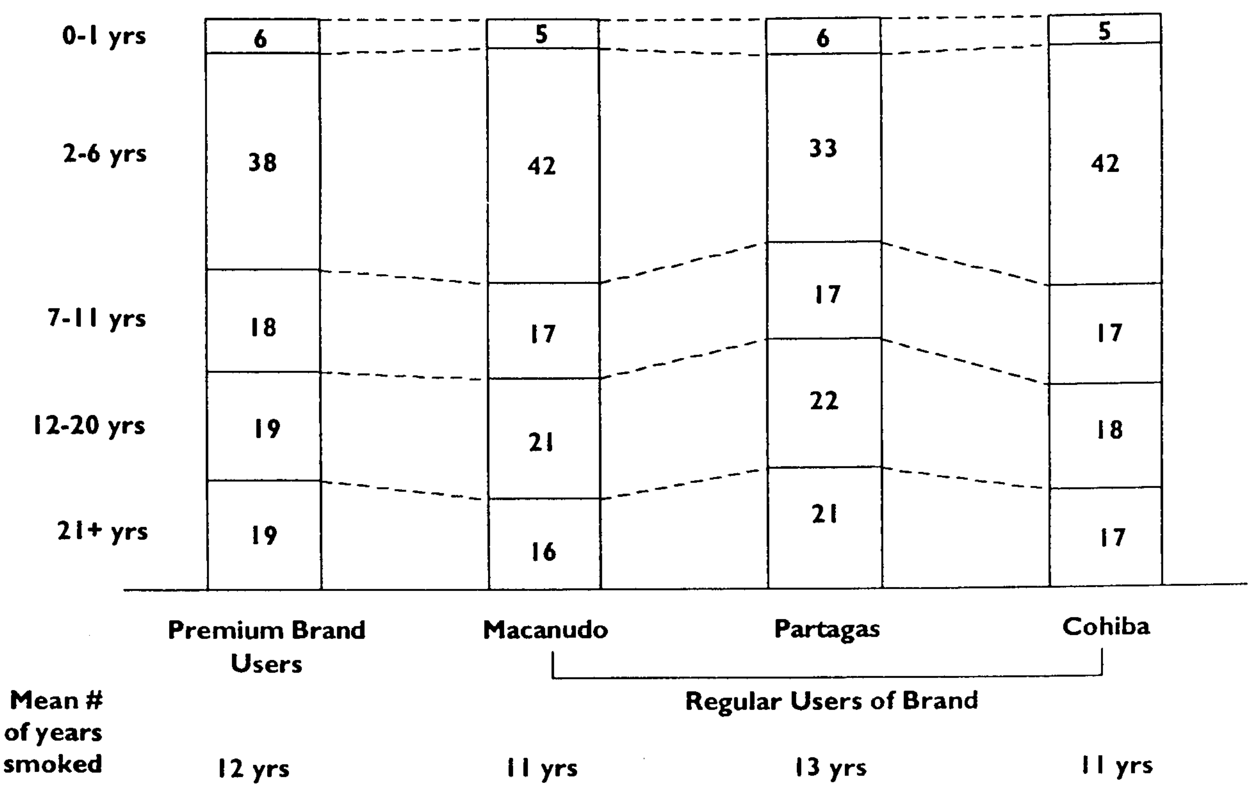
☐ = 120 Indices vs. Total sample
Source: Cigar Management Framework, Section 2, Q.2, Q.3

Contrary to Common Belief, Macanudo Users Are No More Likely to Be Newer Smokers

Smoking Tenure
(% of Smokers)

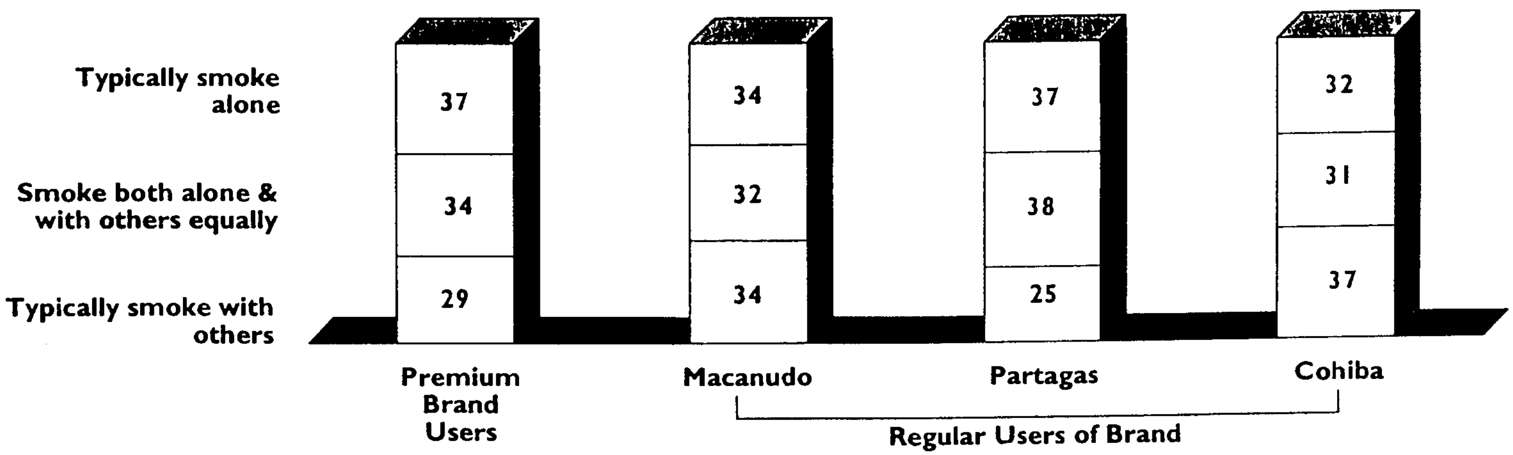


Source: Cigar Management Framework Section 2, Q.1

Macanudo and Cohiba Users Are Somewhat More Social Than Partagas Users

Smoking Behavior

Social vs. Solitary Smoking
(% of Smokers)



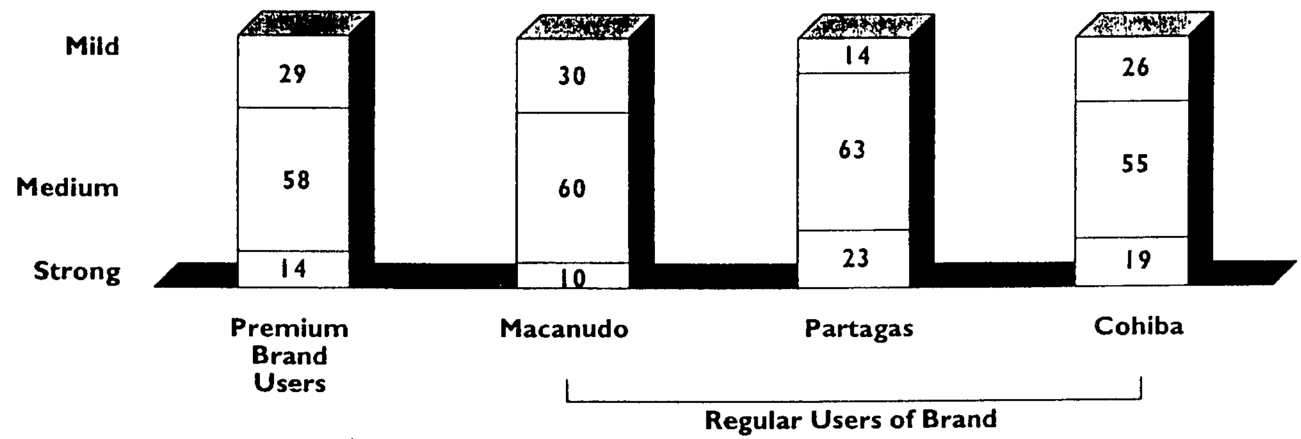
Source: Cigar Management Framework, Section 2, Q.7

Partagas Smokers Are More Likely to Prefer Stronger Cigars

Flavor Preference

- Macanudo smokers have similar taste preferences to all premium smokers

Taste Preference (% of Smokers)



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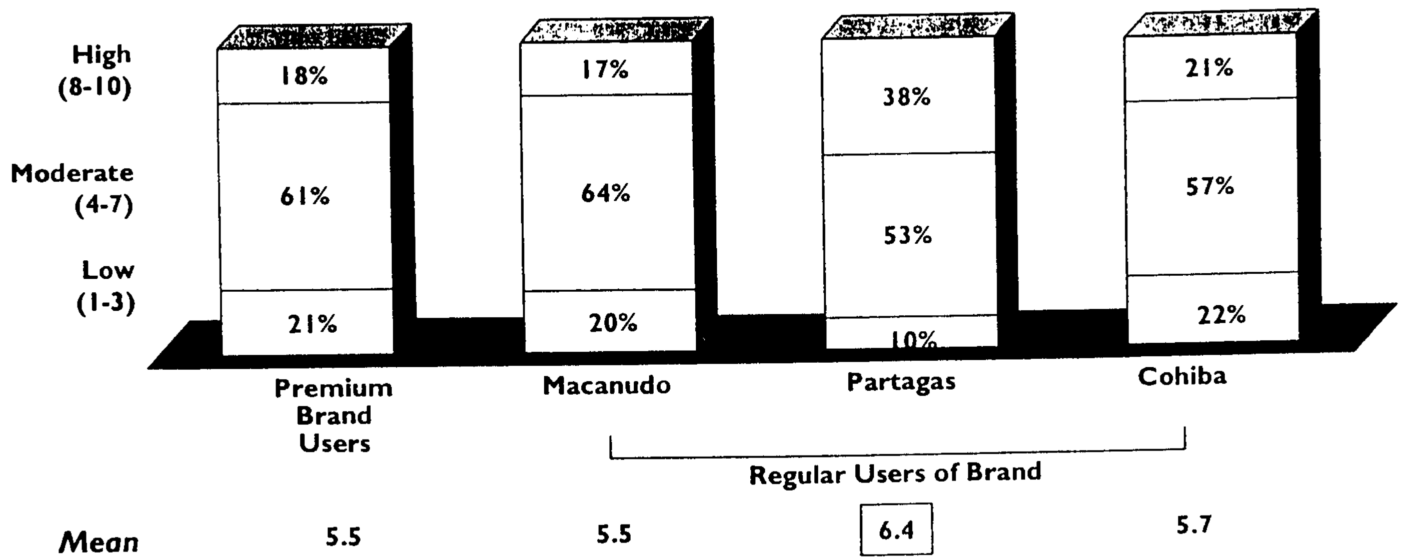
Source: Cigar Management Framework, Section 2, Q.18

Partagas Smokers Consider Themselves Significantly More Knowledgeable Than Regular Premium Smokers

Knowledgeability

- Macanudo and Cohiba smokers see themselves as having average knowledgeability

Cigar Knowledge Level
(Self-Rated on 10 Point Scale*)



Note: * 10 = extremely knowledgeable, 1 = not very knowledgeable
Source: Cigar Management Framework, Section 2, Q21

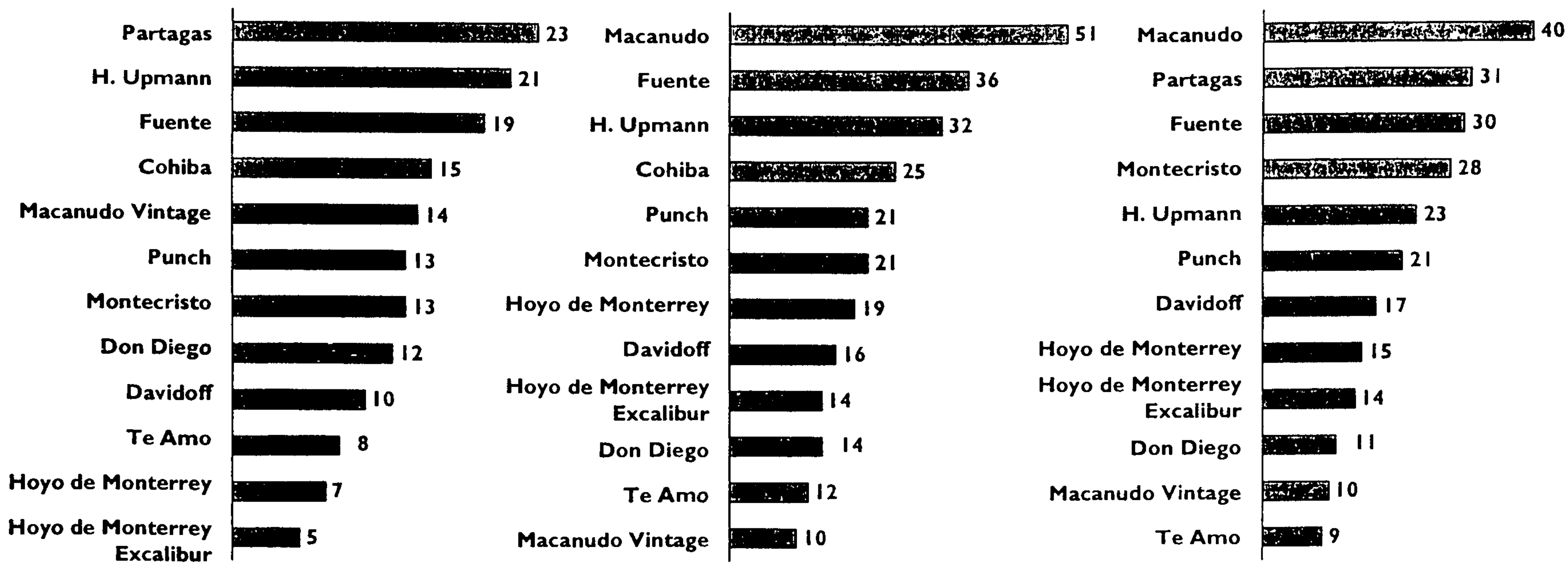
Macanudo Users Are Also Likely to Smoke Partagas, Upmann, and Fuente

Smoking Behavior

- Fuente users are more likely to smoke Macanudo (38% of them) than Macanudo users are to smoke Fuente

Cross Brand Usage
(% of Brand Smokers Who Regularly Smoke Another Brand)

Macanudo Smokers Are Also Likely to Smoke | *Partagas Smokers Are Also Likely to Smoke* | *Cohiba Smokers Are Also Likely to Smoke*



Source: Cigar Management Framework, Section 2, Q19d

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Partagas and Cohiba Users Are Higher than Average Income, However Macanudo Users May Catch up with Them As They Grow Older

Demographics

- Nearly a third of Cohiba smokers are entrepreneurs

Demographic Summary

	Premium Brand Users	Regular Users of Brand: Macanudo	Partagas	Cohiba
Mean Age (Years)	40	39	42	41
% Under Age 35	35%	36%	25%	28%
% Single/Divorced/ Widowed	38%	34%	27%	31%
% with Children <18	35%	35%	40%	40%
Mean Household Income	$64,040	$68,740	$\boxed{\$76,920}$	$\boxed{\$83,720}$
% College Graduates+	56%	56%	64%	62%
% with Managerial/ Prof./Exec. Occupations	50%	56%	$\boxed{68\%}$	56%
% Employed Full-Time	89%	92%	97%	93%
% Retired/Not Employed	6%	5%	1%	3%
% Owning Own Business	20%	20%	26%	$\boxed{30\%}$

$\boxed{}$ = 120+ Index

Source: Cigar Management Framework, Panel Data, Section 1, Q1, Section 6, Q2a

Partagas and Cohiba Smokers Use Magazines As a Form of Media Significantly More than Regular Premium Smokers Overall

Media Habits

- Three-fourths of our consumers have Internet access

Media Usage (Most Frequently Used Media)

Most Frequently Used Media	Premium Brand Users	Regular Users of Brand: Macanudo	Regular Users of Brand: Partagas	Regular Users of Brand: Cohiba
Watch TV	44%	44%	42%	46%
Radio	16	15	14	13
Newspapers	13	15	13	9
Using PC (not online)	9	8	12	7
Magazines	5	5	$\boxed{11}$	$\boxed{11}$
Internet	5	6	5	5
% with Internet Access	72	74	78	71

Source: Cigar Management Framework, Section 6, Q.1

Partagas and Cohiba Users Read Cigar Aficionado More Than Any Other Magazine, Macanudo Users Are Equally Likely to Read Newsweek

Media Habits

Top 10 Magazines Read (% Reading Regularly)

		Regular Users of Brand					
Premium Brand Users		**Macanudo**		**Partagas**		**Cohiba**	
1. Playboy	17%	1. Newsweek	19%	1. Cigar Aficionado	32%	1. Cigar Aficionado	35%
2. Cigar Aficionado	17	2. Cigar Aficionado	19	2. Time	22	2. Playboy	22
3. Newsweek	15	3. Sports Illustrated	17	3. Newsweek	21	3. Golf Digest	21
4. Sports Illustrated	15	4. Playboy	15	4. Sports Illustrated	18	4. Sports Illustrated	21
5. Time	12	5. Time	15	5. Playboy	13	5. Time	16
6. Golf Digest	10	6. Business Week	11	**6. Smoke**	13	6. Men's Health	15
7. Business Week	9	7. Golf Digest	10	7. Golf Digest	12	7. Newsweek	15
8. Field & Stream	9	8. Men's Health	9	8. Business Week	11	**8. Forbes**	14
9. Car & Driver	9	9. Car & Driver	9	**9. PC Magazine**	11	**9. GQ**	13
10. Men's Health	8	**10. Family Handyman**	7	10. Car & Driver	9	10. Business Week	10

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Note: Bold = Difference vs. Total Segment Top 10 List
Source: Cigar Management Framework, Section 6, Q.7

Golf Is the Most Popular Leisure Activity among Macanudo and Cohiba Users

- Casino gambling is more popular among our brands' users than the average premium cigar smoker

Top 10 Lifestyle Activities (% Participating in Regularly)

Premium Brand Users		Regular Users of Brand: Macanudo		Partagas		Cohiba	
1. Golf	27%	1. Golf	31%	1. Gardening	35%	1. Golf	40%
2. Gardening	26	2. Gardening	28	2. Golf	31	2. Playing Cards	29
3. Playing Cards	22	3. Playing Cards	27	3. Playing Cards	23	3. Gardening	27
4. Freshwater Fishing	21	4. Exercise Machines	23	4. Freshwater Fishing	22	4. Swimming	25
5. Exercise Machines	19	5. Biking Outdoors	19	5. Exercise Machines	18	5. Freshwater Fishing	22
6. Biking Outdoors	16	6. Freshwater Fishing	19	**6. Casino Gambling**	**18**	**6. Casino Gambling**	**21**
7. Swimming	16	7. Weightlifting	17	7. Swimming	17	7. Weightlifting	19
8. Weightlifting	16	8. Swimming	17	8. Hunting	17	8. Exercise Machines	19
9. Camping	15	**9. Casino Gambling**	**16**	9. Biking Outdoors	17	9. Biking Outdoors	18
10. Hunting	14	**10. Fitness walking**	**15**	10. Weightlifting	16	**10. Wine tasting**	**17**

Note: Bold = Difference vs. Total Segment Top 10 List
Source: Cigar Management Framework, Section 6, Q.7

Cohiba Users Are Somewhat More Indulgent than the Average Premium Cigar Smoker

Lifestyle

Indulgence Type Activities Engaged in (% Participating in Regularly)

Indulgent Activity	Premium Brand Users	Regular Users of Brand: Macanudo	Partagas	Cohiba
Domestic vacations	59%	45%	51%	43%
Eat in expensive restaurants	32	26	29	38
Drink fine wine	35	26	33	40
Buy gourmet food to eat at home/elsewhere	32	26	37	33
Drink single-malt scotch/ small-batch bourbon	22	17	26	21
Own luxury car	19	16	21	21
Stay in luxury hotels	17	14	18	20
Buy expensive clothing	20	17	25	21
Buy expensive gifts	18	14	22	23
Foreign vacations	13	12	19	16
Have a massage	10	8	11	13
Have a manicure or facial	4	2	3	6
Buy custom-made clothing	6	4	10	10

Source: Cigar Management Framework, Section 6, Q.14

Profile of Brand Users

Key Findings

- A profile of each of our brand's current users has shown us that each group has slightly different
  - Motivations
  - Knowledge levels
  - Purchase influencers
  - Media habits
  - Leisure interests
- A key finding is that most General Cigar users do prefer shopping at tobacconists to other channels
- Cohiba users have a love of Cuban cigars and would switch to them immediately if they became legal

Implications

- This information will be valuable in designing initiatives and programs to reinforce loyalty of existing consumers, e.g.,
  - Advertising
  - Promotions
  - Reward programs
  - Relationship/database marketing
  - Etc.
- We can take our consumer findings to tobacconists to prove that recommending our brands to consumers does not risk leading them to other channels despite our brands' wide availability
- We need to create a distinct reason for being for our Cohiba brand today

Agenda

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- Brand Imagery Among Brand Users
- Opportunity Selection and Strategy Exercises
- Appendix

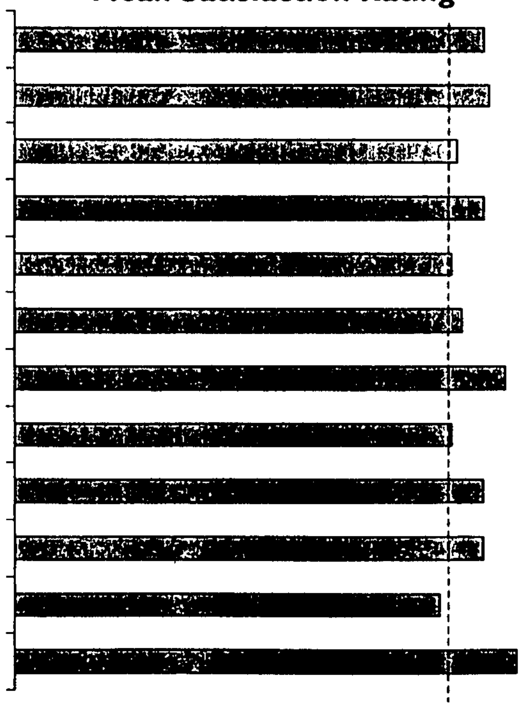
In This Section, We Will Explore Brand Imagery of the General Cigar Brands Among Those Closest to the Brand

- In order to understand the imagery of each brand, we will look at associations among regular users of each brand (previously we have looked at imagery among only those aware of the brand)
  - Brand satisfaction and value
  - Brand imagery attributes
  - Brand personality
  - Taste perceptions

Among Regular Brand Users, Macanudo, Partagas and Cohiba Received Average Satisfaction Perceptions

Satisfaction

Overall Brand Satisfaction
(Among Regular Brand Users)



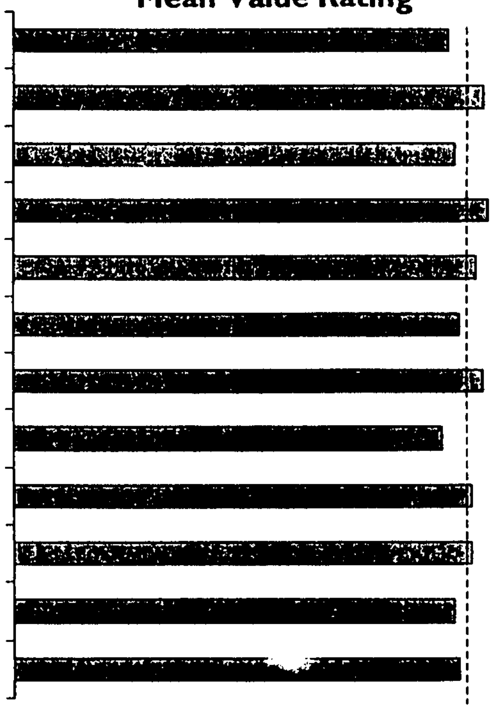
	Mean Satisfaction Rating*	Very Satisfied (Top 2 Box %*)
Macanudo	8.5	70%
Partagas	8.6	62
Cohiba	8.0	54
Punch	8.5	56
Hoyo De Monterrey	7.9	59
Hoyo De Monterrey Excalibur	8.1	62
Arturo Fuente	8.9	80
Don Diego	7.9	44
H. Upmann	8.5	55
Montecristo	8.5	61
Te Amo	7.7	43
Davidoff	9.1	79
	AVG. = 8.3	AVG. = 60%

*10 Pt. Scale: 1= Not Very Satisfied, 10= Extremely Satisfied
Source: Cigar Management Framework, Section 5, Q3.

All Three General Cigar Premium Brands Also Receive Average Value Ratings Among Users

Perceived Value

Overall Brand Value Perceptions (Among Regular Brand Users)



Brand	Mean Value Rating*	Very Satisfied (Top 2 Box %*)
Macanudo	7.5	37%
Partagas	8.1	42
Cohiba	7.6	39
Punch	8.2	54
Hoyo De Monterrey	8.0	61
Hoyo De Monterrey Excalibur	7.7	42
Arturo Fuente	8.1	45
Don Diego	7.4	28
H. Upmann	7.9	44
Montecristo	7.9	41
Te Amo	7.6	43
Davidoff	7.7	44
	AVG. = 7.8	AVG. = 43%

*10 Pt. Scale: 1= Not a Good Value, 10= Extremely Good Value
Source: Cigar Management Framework, Section 5, Q4.

Cohiba Has an Image of Being Frequently Recommended by Those Who Know Cigars

Brand Imagery

- Macanudo is more likely to be recommended by friends
- Partagas is known for being recommended by magazines

Brand Perceptions - General Cigar Premium Brands
(% Agree Among Regular Brand Users)

	Brand Attributes	12 Brand Average	Macanudo	Partagas	Cohiba
Quality/ Elements	Consistent quality	64%	66%	72%	62%
	Brand I trust	63	68	71	60
	Well constructed	61	61	67	55
	High quality	60	61	61	62
	Easy draw	57	57	56	52
	Easy to smoke	56	58	57	53
	Fresh	54	56	54	46
Price/ Value	Smart choice	40	38	39	32
	Good value	39	36	34	25
	Low price	14	11	5	6
Taste	Great taste	64	66	66	61
	Smooth taste	52	57	51	49
	Full flavored	40	33	46	38
Recommend-ations	Recommended by tobacconists	43	43	44	$\boxed{53}$
	Recommended by friends	29	$\boxed{38}$	26	$\boxed{36}$
	Recommended by magazine	24	21	$\boxed{31}$	25

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$\boxed{}$ = 120+ Indices vs. 12 Brand Avg.
Source: Cigar Management Framework, Section 5, Q1c.

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Macanudo Is Considered to Have Widespread Availability

Brand Imagery

- Cohiba is considered a good brand for gift-giving and special occasions, but lacks everyday appropriateness

Brand Perceptions Among Premium General Cigar Brands
(% Agree Among Regular Brand Smokers)

	Brand Attributes	12 Brand Average	Macanudo	Partagas	Cohiba
Occasion Type	Good for relaxing	54%	55%	59%	50%
	Good for gift	44	44	50	55
	Good for special occasions	42	43	41	51
	Good for everyday	32	32	34	17
	Good as a reward	32	30	34	50
	Easy to find/widely available	46	58	48	21
	Attractive packaging	20	24	19	16

☐ = 120+ Indices vs. 12 Brand Avg.
Source: Cigar Management Framework, Section 5, Q1c.

Cohiba Has a Strong Brand Personality As Being Prestigious, Sophisticated and for Serious Smokers

Brand Imagery

- Macanudo is seen as popular, trendy, and skews towards more social smoking
- Partagas has less distinctive personality imagery

Brand Perceptions Among Premium General Cigar Brands (% Agree Among Regular Brand Smokers)

Brand Personality	12 Brand Average	Macanudo	Partagas	Cohiba
Reliable	44%	43%	47%	39%
Popular	43	54	45	50
For serious smokers	41	31	49	50
Refined taste	37	35	35	44
For social smokers	28	33	29	22
Prestigious	28	22	24	47
Masculine	28	25	31	32
Individualistic	24	15	20	35
Sophisticated	23	20	21	34
Casual	22	26	21	17
Trendy	17	23	15	32
Sporty	14	11	16	11
Innovative	11	7	7	13

▭ = 120+ Indices vs. 12 Brand Avg. ⬭ = 80 or Less Index

Source: Cigar Management Framework, Section 5, Q1c.

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Macanudo's Top Associations Among Its Regular Users Focus on Quality and Great Taste From a Trusted Brand

Brand Imagery

- However, relative to other competitive premium brands, it stands out on its popularity and wide availability

Macanudo Brand Imagery
(Among Regular Macanudo Smokers)

Top 10 Imagery Attributes	% Agree	% Pt. Diff. Vs. 12 Brand Avg	Top Brand on this Attribute
Brand I trust	68%	+5	Partagas (71%)
Great taste	66	+2	Davidoff (78%)
Consistent quality	66	+2	Davidoff (75%)
High quality	61	(1)	Davidoff (76%)
Well constructed	61	0	Fuente (70%)
Easy to smoke	58	+2	Davidoff (61%)
Easy to find/widely available	58	+12	Punch (59%)
Smooth taste	57	+5	Fuente (62%)
Easy draw	56	(1)	Davidoff (63%)
Fresh	55	+1	Davidoff (63%)
Top 5 Personality Attributes			
Popular	45%	+9	Macanudo (54%)
Reliable	43	(1)	Upmann (52%)
Refined taste	35	(2)	Davidoff (57%)
For social smokers	33	+5	Davidoff (35%)
For serious smokers	31	(10)	Cohiba/Excalibur (50%)

Source: Cigar Management Framework, Section 5, Q1c.

Partagas Has a Strong Association with Trust Among Its User Base

Brand Imagery

- But Davidoff and Fuente are stronger on many of Partagas' top attributes

Partagas Brand Imagery
(Among Regular Partagas Smokers)

Top 10 Imagery Attributes	% Agree	% Pt. Diff. Vs. 12 Brand Avg	Top Brand on this Attribute
Consistent quality	72%	+8	Davidoff (75%)
Brand I trust	71	+8	Partagas (71%)
Well constructed	67	+6	Fuente (70%)
Great taste	66	+2	Davidoff (78%)
High quality	61	+1	Davidoff (76%)
Good for relaxing	59	+5	Hoyo/Partagas (59%)
Easy to smoke	57	+1	Davidoff (61%)
Easy draw	56	(1)	Davidoff (63%)
Fresh	54	0	Davidoff (63%)
Smooth taste	51	(1)	Fuente (62%)
Top 5 Personality Attributes			
For serious smokers	49%	+8	Cohiba/Excalibur (50%)
Reliable	47	+3	Upmann (52%)
Popular	45	+2	Macanudo (54%)
Refined taste	35	(2)	Davidoff (57%)
Masculine	31	+3	Cohiba (32%)

Source: Cigar Management Framework, Section 5, Q1c.

Cohiba Is a Highly Prestigious Brand Name, However, Davidoff Is Considered Even More So

Brand Imagery

Cohiba Brand Imagery (Among Regular Cohiba Smokers)

Top 10 Imagery Attributes	% Agree	% Pt. Diff. Vs. 12 Brand Avg	Top Brand on this Attribute
Consistent quality	62%	(2)	Davidoff (75%)
High quality	62	+2	Davidoff (76%)
Great taste	61	(3)	Davidoff (78%)
Brand I trust	60	(3)	Partagas (71%)
Well constructed	55	(6)	Fuente (70%)
Good for a gift	55	+11	Davidoff (59%)
Easy to smoke	53	(3)	Davidoff (61%)
Recommended by tobacconists	53	+10	Davidoff (61%)
Easy draw	52	(5)	Davidoff (63%)
Good for special occasions	51	+9	Davidoff (61%)
Top 5 Personality Attributes			
Popular	50%	+7	Macanudo (54%)
For serious smokers	50	+9	Cohiba/Excalibur (50%)
Prestigious	47	+19	Davidoff (51%)
Refined taste	44	+7	Davidoff (57%)
Reliable	39	(5)	Upmann (52%)

Source: Cigar Management Framework, Section 5, Q1c.

Macanudo Users Describe Its Taste As Mild to Medium

Brand Taste

- Partagas and Cohiba have a medium to medium-strong taste profile
- Those who are aware of our brands, but not regular users, have accurate perceptions of the brands' taste profiles

Taste Perceptions
(Brand Users vs. Brand Aware)

	Macanudo		Partagas		Cohiba	
	Aware	**Reg. Users**	**Aware**	**Reg. Users**	**Aware**	**Reg. Users**
Mild	14%	13%	4%	6%	5%	9%
Mild/Medium	30 } 64%	36 } 71%	21	24	16	18
Medium	34	35	32 } 69%	26 } 63%	28 } 63%	35 } 62%
Medium/Strong	18	15	37	37	35	27
Strong	4	1	6	7	17	12

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Source: Cigar Management Framework, Section 5, Q2.

Brand Imagery Among Brand Users

Summary

Key Findings	*Implications*
▶ Our brands receive average satisfaction and value ratings from our users — We are vulnerable to some competitive brands which do a better job of highly satisfying their users	▶ We must look for ways to differentiate our brands beyond the product itself — Connect to the consumer at a higher level — Understand the emotional benefits sought by a target — Build more distinctive personalities for the brands
▶ Macanudo has a strong imagery base in many different areas	▶ To sustain our success, we may want to choose to focus on several key attributes that we can own
▶ Partagas does not have distinctive brand imagery today, even among its users	▶ We must invest to achieve a differentiated position to help Partagas succeed

Continued . . .

Brand Imagery Among Brand Users (cont.)

Key Findings	*Implications*
▶ Most of the attributes where Macanudo and Partagas score highest are on quality elements which we know to be category ante's	▶ New messaging strategies will be required to move beyond the ante's and focus on attributes which are more compelling points of difference from other brands
▶ Cohiba has a differentiated image as a prestigious, sophisticated cigar that's good for special occasions	▶ Cohiba's differentiated image will be a key factor in deciding which segment to target

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- Appendix

Choosing One or Two Segments As a Target Does Not Mean Other Segments Are Written Off

- An advertising campaign or promotion targeted at one segment will not result in another segment no longer buying your brand
- Messaging strategies should be designed to have the most meaningful impact to the best prospect but should not alienate other consumers
- Messages targeted at one segment may be seen by all ... and will motivate many consumers outside of the target who may relate to part of what message has to say

We Propose Five Criteria for Choosing a Target Segment for Each of Our Brands

Proposed Criteria for Choosing a Target Segment

Importance

- How much brand volume does the segment represent today?
- How much volume upside do we think is possible in the segment?

Potential Responsiveness

- How well does our brand's strengths fit with what the segment is looking for?
  - — Purchase criteria
  - — Brand imagery
  - — Taste preferences
- Do we think we can craft a message that will motivate the segment to choose our brand over others?

Actionability

- Do we have the ability to influence how our brand is presented in the segment's preferred channel and among its other purchase influencers?

During the worksession, we will add, modify or delete criteria if judged appropriate

During the Worksession, We Will Work Through Exercises to Reach Targeting Decisions for Each Brand

	To Whom				
For What	**Relationship-Driven Connoisseurs**	**Savvy Self-Reliant Connoisseurs**	**Emerging Enthusiasts**	**Casual Enjoyers**	**Special Occasion Only**
Everyday Relaxation	Brand X				
Socializing with Others			Brand Y		
Special Occasion/ Celebration					
Quick Break					

Our Goal Is to Complete a Basic Blueprint for How Each Brand Will Win With Its Target

	Macanudo	Partagas	Cohiba
Marketing Target Segment	?	?	?
Need State Target	?	?	?
Key Product Benefits to Stand For and Deliver On	• • •	• • • • •	• • • • •
Key Emotional Benefits To Deliver On	• •	• •	• •
Potential Personality Elements	• •	• • •	• • •
Key Competitors	• • • •	• •	• •
Illustrative Point of Brand Differentiation	•	•	•

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Appendix Contents

- Key Category Behaviors of Motivational Segments
- Detailed Demographic, Media, and Lifestyle Information on Segments
- Additional Information About Our Brand Users
- Additional Information About Our Brands' Imagery
- Profiles of Competitive Brand Users
- Competitive Brand Imagery
- Methodology

The Connoisseur Segments and Established Loyalists Smoke with the Most Frequency

Segment Importance

Cigar Smoking Frequency
(% of Smokers)

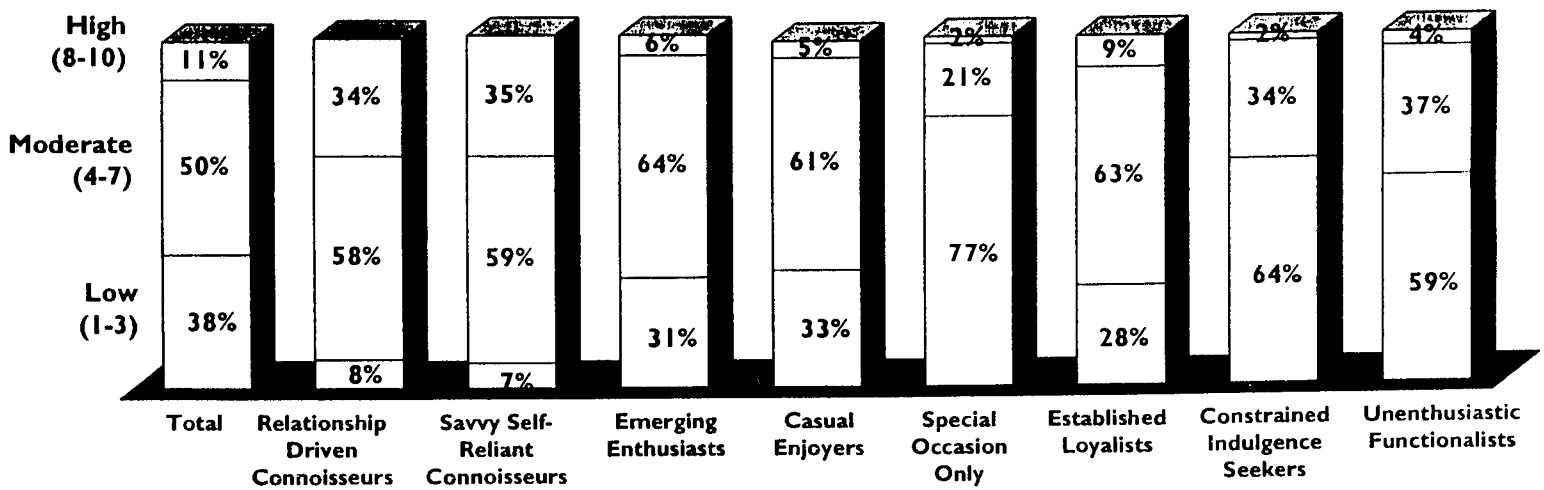
	Total	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Once a day or more	**19%**	22%	37%	2%	9%	1%	73%	9%	12%
Once a week or more	**49**	82	77	2	42	4	97	39	41
Once a month or more	**82**	98	98	83	83	44	100	74	76
Less than once a month	**18**	2	2	17	17	56	0	26	24
Avg. # of Cigars Smoked/Week	**4.8**	5.8	7.7	1.2	2.7	0.7	17.6	3.0	3.2

☐ = 120 Indices vs. Total sample
Source: Cigar Management Framework, Section 2, Q.2, Q.3

Not Even the Connoisseur Segments Feel They Know Everything There Is to Know About Cigars

- One third of Emerging Enthusiasts rank their knowledge level as low

Cigar Knowledge Level
(Self-Rated on 10 Point Scale*)



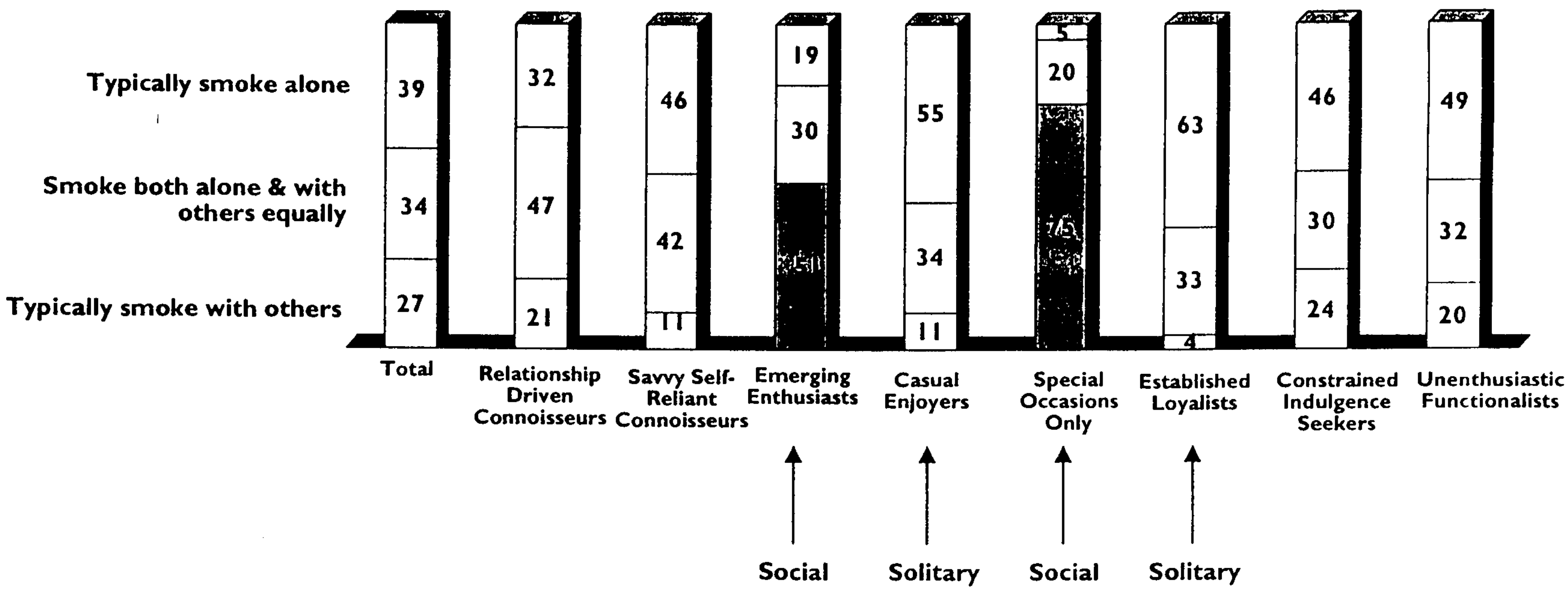
	Total	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Mean	4.5	6.6	6.4	4.7	4.5	2.9	4.8	3.2	3.4

Note: * 10 = extremely knowledgeable, 1 = not very knowledgeable
Source: Cigar Management Framework, Section 2, Q21

Segments Dominated by Newer Smokers Are Also More Likely to Be Social Smokers

Smoking Behavior

Social vs. Solitary Smoking
(% of Smokers)



Source: Cigar Management Framework, Section 2, Q.7

At Home Is Clearly the Most Frequent Location for Cigar Smoking

Smoking Behavior

- Emerging Enthusiasts and Special Occasion Only are more likely to smoke on-premise

Most Common Cigar Smoking Locations

Location	Total	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Own Home	**56%**	60%	64%	43%	65%	28%	69%	64%	60%
Friend's Home	**7**	4	4	10	3	19	3	8	4
On-Premise*	**10**	13	4	19	4	22	3	7	4
Outside	**59%**	51%	61%	71%	65%	68%	47%	51%	52%
Inside	**35**	45	29	28	28	30	46	42	36

*Includes at a restaurant, bar, or club
☐ = 120 Indices vs. % of sample
Source: Cigar Management Framework, Section 2, Q.8

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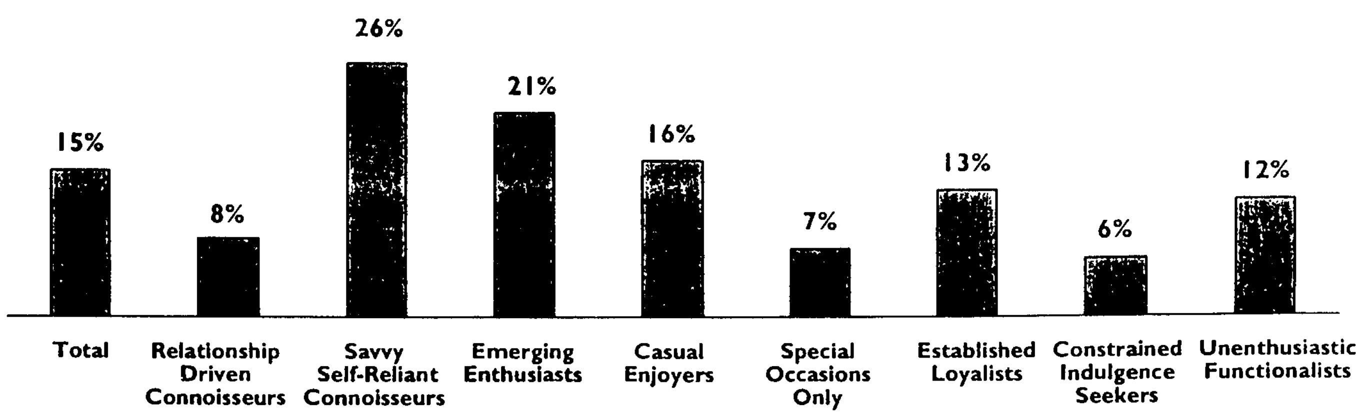
A Significant Number of People Smoke Other than the Top 40 Brands

Brand Shares

- Of concern are the Emerging Enthusiasts who perhaps are still smoking Don Nobodies

Smoking Other than Top 40 Brands
(% of Past 3 Month Purchases)



Source: Cigar Management Framework, Section 2, Q.19d

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Relationship Driven Connoisseurs, Emerging Enthusiasts, and Casual Enjoyers Are Especially Likely to Buy from Tobacconists

Channel Behavior

Channel Preferences
(Store Type Purchased from Most Often)

Store Types	Total	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Tobacconist	**43%**	$\boxed{72\%}$	21%	$\boxed{65\%}$	$\boxed{53\%}$	48%	18%	34%	17%
Food/Drug/Mass/ C-Store	**35**	9	29	9	29	21	$\boxed{63}$	$\boxed{56}$	$\boxed{69}$
Catalog/Internet	**10**	9	$\boxed{45}$	8	8	3	6	6	6
On Premise	**4**	4	2	8	2	$\boxed{14}$	2	2	0

Over two-thirds of purchases are made by smokers at the channel they purchase from most often

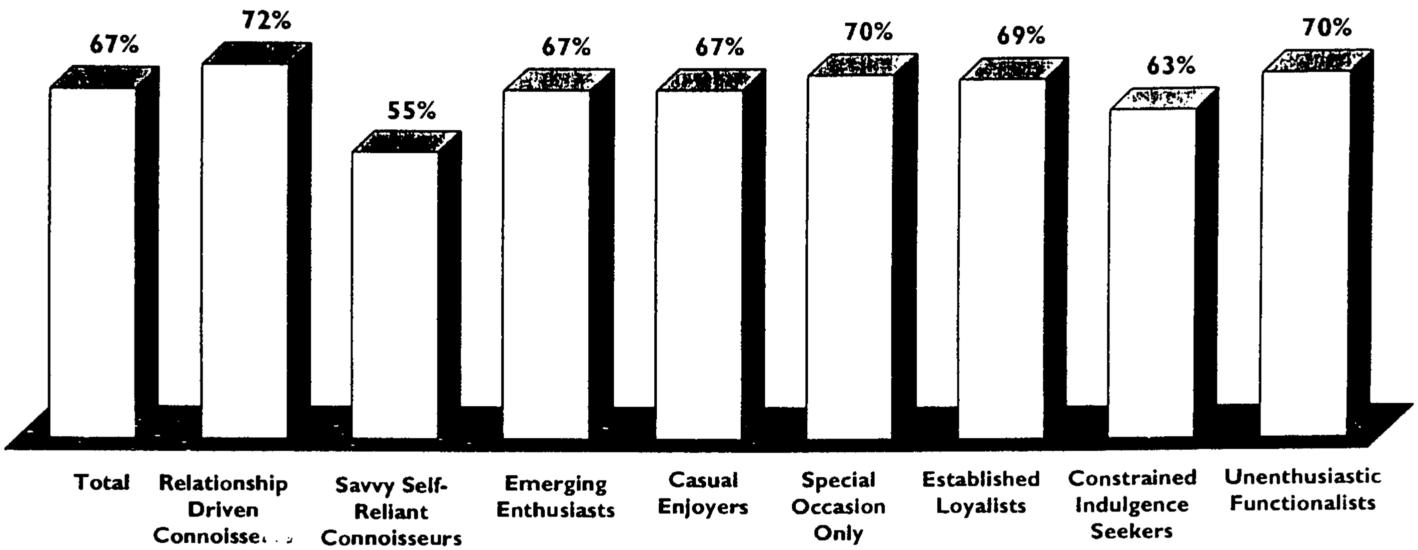
$\boxed{}$ = 120 Indices vs. % of sample

Source: Cigar Management Framework, Section 2, Q.14C and Q.20

Most Segments Are Loyal To Their Most Preferred Channel

Category Behavior

Channel Loyalty
(Average Share of Total Cigars Purchased from Most Frequently Shopped Channel)



Source: Cigar Management Framework, Section 2, Q15, Q14C

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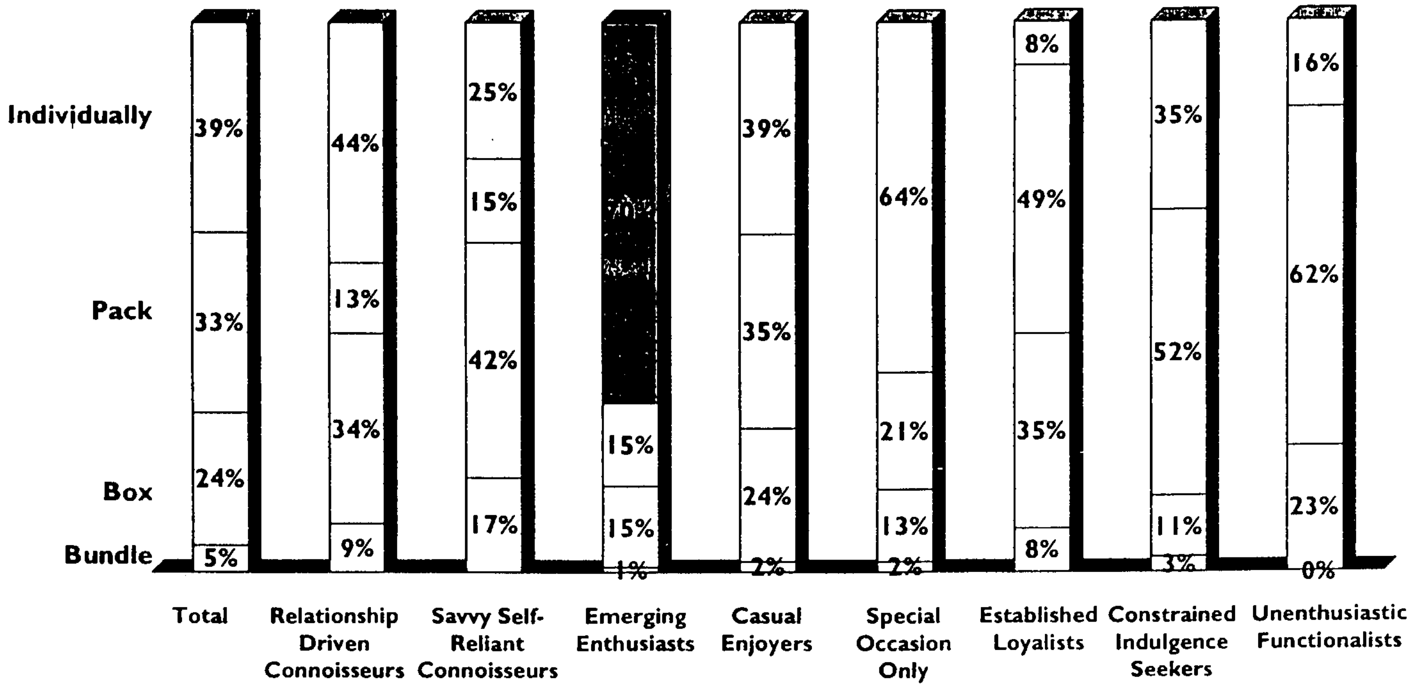
Over Two Thirds of Emerging Enthusiasts Are Still Purchasing Cigars Individually

Category Behavior

- They are relatively new to the category and perhaps are still experimenting with brands

Pack Size Usually Chosen When Purchasing Brand Smoked Most Often



Source: Cigar Management Framework, Section 2, Q20

Premium Driven Segments Use Many Different Sources for Cigar — Information Cigar Magazines and Cataogs, As Well As People

Category Behavior

- The fact that they use so many creates many different opportunities for us to influence them

Cigar Information Sources
(% of Respondent Citing As Information Source)

Information Sources	Total Sample	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Non-People									
Cigar Aficionado	15	53	25	23	[redacted]	5	1	3	1
Smoke Magazine	5	15	10	4	4	0	3	1	2
Cigar Books/Guides	8	25	15	8	9	2	3	2	1
Cigar Catalogs	22	36	58	24	20	8	15	11	8
Radio	6	5	7	4	5	4	11	10	6
TV	8	7	9	3	7	9	16	8	9
Internet	7	23	18	9	3	3	3	0	2
People									
Tobacconist/Smoke Shop Personnel	40	75	39	63	50	32	19	29	9
Friends	59	69	50	76	54	77	40	54	48
Relatives	17	18	15	18	18	18	13	21	15
Business Associates/ Co-workers	23	35	21	33	14	23	19	18	17

☐ = 120 Indices vs. % of sample

Source: Cigar Management Framework, Section 2, Q26

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Relationship Driven Connoisseurs, Emerging Enthusiasts, and Special Occasion Only Tend to Be Younger

Demographics

Demographic Summary

	Total	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
% of Total Sample	100%	12%	11%	15%	16%	12%	10%	9%	15%
Age									
21-24	4%	4%	5%	4%	1%	8%	1%	7%	4%
25-34	28%	37%	12%	39%	19%	51%	10%	36%	22%
35-44	29%	25%	35%	31%	31%	29%	22%	34%	29%
45-54	25%	25%	28%	20%	34%	7%	37%	13%	32%
55-65	13%	9%	20%	7%	15%	5%	30%	10%	13%
Mean	41	39	45	38	44	35	49	37	42
Marital Status									
Married	65%	56%	62%	66%	77%	55%	70%	47%	73%
Never married	21%	26%	18%	26%	13%	36%	10%	35%	12%
Divorced/separated/ widowed	14%	18%	20%	9%	10%	9%	21%	18%	15%
% with Children <18	39%	35%	37%	39%	46%	30%	31%	39%	51%

Source: Cigar Management Framework, Panel Data, Section 1, Q.1

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There Are Also Strong Income Differences, with the Emerging Enthusiasts Reporting the Highest Average Incomes

Demographics

Demographic Summary

	Total	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
% of Total Sample	100%	12%	11%	15%	16%	12%	10%	9%	15%
Household Income									
<$15,000	13%	9%	19%	2%	9%	7%	22%	30%	16%
$15,000-29,999	18%	12%	13%	11%	15%	15%	19%	35%	26%
$30,000-49,999	24%	25%	20%	23%	28%	22%	25%	18%	27%
$50,000-74,999	21%	21%	23%	24%	23%	23%	22%	13%	19%
$75,000-99,999	13%	22%	15%	18%	15%	17%	6%	3%	8%
$100,000+	11%	11%	12%	21%	9%	16%	6%	1%	4%
Mean (1,000)	$ 53.3	$61.0	$53.9	$71.5	$54.7	$61.6	$43.0	$30.0	$42.0
Education									
< High School	6%	3%	8%	0%	7%	1%	8%	12%	9%
High School Grad	20%	14%	19%	9%	19%	10%	22%	32%	37%
Some College	26%	33%	26%	19%	29%	24%	32%	29%	18%
College Grad	31%	30%	24%	52%	29%	48%	22%	18%	16%
Post Grad	13%	14%	19%	18%	14%	15%	9%	5%	11%

Source: Cigar Management Framework, Panel Data, Section 1, Q.1

The Premium-Driven Segments Also Are More Likely to Have White-Collar Occupations

Demographics

Demographic Summary

	Total	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
% of Total Sample	100%	12%	11%	15%	16%	12%	10%	9%	15%
Occupation									
Managerial, professional, executive[1]	40%	44%	36%	58%	44%	52%	23%	25%	29%
Technology, sales, admin. support	10%	11%	8%	14%	10%	14%	5%	10%	4%
Service	7%	9%	7%	6%	4%	6%	8%	11%	4%
Craftsman, repairman	9%	9%	9%	6%	10%	7%	10%	15%	9%
Operator, laborer	10%	7%	7%	4%	7%	4%	15%	12%	23%
Other	24%	20%	33%	12%	25%	17%	39%	27%	31%
Employment									
Full time	77%	84%	66%	91%	77%	88%	66%	70%	70%
Part time	4%	4%	6%	5%	3%	4%	1%	5%	3%
Retired	6%	3%	12%	0%	6%	1%	17%	3%	8%
Not employed	5%	4%	8%	1%	7%	2%	4%	10%	6%
Own Their Own Business	17%	18%	22%	15%	16%	15%	23%	11%	15%

Source: Cigar Management Framework, Panel Data, Section 1, Q.1

Television Is the Most Frequently Used Media Type Among All Segments

Media Habits

- PC and Internet usage skews highest among the younger, Emerging Enthusiasts segment

Media Usage (Most Frequently Used Media)

Most Frequently Used Media	Total	Premium Driven: Relationship Driven Connoisseurs	Premium Driven: Savvy Self-Reliant Connoisseurs	Premium Driven: Emerging Enthusiasts	Dual: Casual Enjoyers	Dual: Special Occasion Only	Mass Driven: Established Loyalists	Mass Driven: Constrained Indulgence Seekers	Mass Driven: Unenthusiastic Functionalists
Watch TV	57%	48%	54%	46%	49%	63%	64%	69%	72%
Radio	17	19	20	12	18	14	18	19	16
Newspapers	10	13	10	15	15	7	11	3	5
Using PC (not online)	7	8	5	11	7	11	4	5	5
Magazines	4	5	5	6	7	2	3	2	1
Internet	4	7	6	10	4	3	1	1	2

Source: Cigar Management Framework, Section 6, Q.1

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Both Connoisseur Groups Have a Strong Interest in Reading Cigar Magazines

Media Habits

Magazines Regularly Read — Top Ten Magazine Types

Total		Relationship Driven Connoisseurs		Savvy Self-Reliant Connoisseurs		Emerging Enthusiasts		Casual Enjoyers	
1. Sports	31%	**1. Cigar Magazines**	**48%**	1. Sports	26%	1. Sports	42%	1. Sports	30%
2. General	26	2. Sports	45	2. General	25	2. News	24	2. General	28
3. News	18	3. General	32	**3. Cigar Magazines**	**25**	3. Money/Finance	23	3. News	18
4. Men's General Interest	17	4. Men's General Interest	30	4. Consumer Magazines	23	**4. Business**	**23**	4. Home Improvement	18
5. Auto Magazines	16	5. News	27	5. News	21	5. General	21	**5. Mature**	**14**
6. Consumer Magazines	15	**6. Business**	**23**	6. Auto Magazines	20	6. Men's General Interest	19	6. Money/Finance	12
7. Money/Finance	14	7. Money/Finance	22	**7. Cooking and Food**	**19**	**7. Cooking and Food**	**17**	7. Homes	12
8. Homes	13	**8. Cooking and Food**	**22**	**8. Mature**	**18**	8. Consumer Magazines	17	8. Entertainment	12
9. Home Improvement	13	9. Auto Magazines	22	**9. Science**	**15**	**9. Health**	**14**	9. Consumer Magazines	12
10. Entertainment	13	10. Homes	20	10. Money/Finance	15	10. Auto Magazines	14	**10. Computers**	**12**

Special Occasion Only		Established Loyalists		Constrained Indulgence Seekers		Unenthusiastic Functionalists	
1. Sports	35	1. General	30	1. General	34	1. General	27
2. Men's General Interest	24	2. Sports	19	2. Sports	27	2. Sports	23
3. Business	**24**	3. Consumer Magazines	16	3. Auto Magazines	23	3. Home Improvement	13
4. Health	**20**	**4. Mature**	**15**	4. Men's General Interest	21	4. Entertainment	13
5. Money/Finance	18	5. Auto Magazines	14	**5. Computers**	**12**	**5. Cooking and Food**	**12**
6. Computers	**17**	6. News	13	6. News	11	6. Auto Magazines	12
7. News	16	7. Home Improvement	13	7. Homes	11	7. News	11
8. Entertainment	15	8. Homes	12	8. Home Improvement	11	8. Homes	11
9. Consumer Magazines	15	**9. Health**	**12**	9. Entertainment	10	9. Consumer Magazines	11
10. Auto Magazines	14	**10. Science**	**11**	10. Consumer Magazines	10	10. Men's General Interest	10

Note: Bold = Unique to segment

Source: Cigar Management Framework, Section 6, Q.6

Emerging Enthusiasts and Special Occasion Only Are Most Likely to Own a PC and Use the Internet

- A majority of people in all premium-driven segments have Internet access

Computer Ownership/Internet Usage

		Premium Driven			Dual		Mass Driven		
	Total	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
PC Ownership									
Own a PC	59%	66%	54%	77%	60%	68%	45%	44%	51%
Do not own a PC	37	32	42	20	36	29	47	51	48
Internet Access									
Yes	56	67	55	78	54	76	37	41	36
Home	21	22	23	26	19	24	19	20	16
Work	13	15	8	15	13	20	7	13	8
Both	23	30	23	38	22	33	11	8	11
None	44	33	45	22	46	24	63	59	64

Source: Cigar Management Framework, Section 6, Q.2, Q.2a

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We Can Better Select Our Media Buys Using This Information — Playboy, Sports Illustrated, Newsweek and TIME are Good Buys

Media Habits

▶ *Cigar Aficionado* reinforces the connoisseurs but does not reach the important Emerging Enthusiasts group

Top 10 Magazines Read
(% Reading Regularly)

Total		Relationship Driven Connoisseurs		Savvy Self-Reliant Connoisseurs		Emerging Enthusiasts		Casual Enjoyers	
1. Playboy	16%	1. Cigar Aficionado	40%	1. Cigar Aficionado	16%	1. Sports Illustrated	20%	1. Newsweek	15%
2. Sports Illustrated	13	2. Playboy	27	2. Playboy	15	2. Playboy	17	2. Field and Stream	15
3. Newsweek	13	3. Sports Illustrated	20	3. Newsweek	15	3. Newsweek	17	3. Sports Illustrated	11
4. Field and Stream	11	4. Field and Stream	17	4. Time	13	4. Time	15	4. Time	10
5. Time	10	5. Time	16	5. Sports Illustrated	11	**5. Golf Digest**	**12**	5. Family Handyman	10
6. Popular Mechanics	8	6. Newsweek	15	6. Popular Mechanics	9	**6. Men's Health**	**10**	6. Popular Mechanics	9
7. Family Handyman	8	**7. Car and Driver**	**13**	**7. Golf Digest**	**9**	**7. PC Magazine**	**9**	7. Playboy	9
8. Cigar Aficionado	8	**8. Men's Health**	**12**	8. Family Handyman	9	**8. Business Week**	**9**	8. Outdoor Life	9
9. PC Magazine	7	**9. GQ**	**12**	9. Field and Stream	8	**9. Golf Magazine**	**8**	**9. Business Week**	**7**
10. Outdoor Life	7	**10. Business Week**	**12**	**10. Wine Spectator**	**7**	**10. Car and Driver**	**8**	**10. PC Magazine**	**5**

Special Occasion Only		Established Loyalists		Constrained Indulgence Seekers		Unenthusiastic Functionalists	
1. Sports Illustrated	16%	1. Field and Stream	15%	1. Playboy	22%	1. Playboy	13%
2. Playboy	16	2. Popular Mechanics	14	**2. Car and Driver**	**13**	2. Field and Stream	11
3. Men's Health	**13**	3. Newsweek	11	**3. Penthouse**	**11**	3. Family Handyman	10
4. Newsweek	11	4. Sports Illustrated	10	4. Family Handyman	11	4. Newsweek	9
5. Business Week	**11**	**5. Motor Trend**	**10**	5. Field and Stream	10	5. Sports Illustrated	8
6. Time	9	6. Family Handyman	10	6. Popular Mechanics	8	6. Outdoor Life	8
7. PC Magazine	9	7. Time	9	7. Sports Illustrated	7	7. Popular Mechanics	6
8. Forbes	**7**	**8. Penthouse**	**9**	8. Outdoor Life	6	**8. Car and Driver**	**6**
9. Field and Stream	7	**9. PC Magazine**	**7**	9. Time	5	9. PC Magazine	5
10. Motor Trend	**6**	10. Outdoor Life	7	10. Newsweek	5	**10. Golf Digest**	**5**

Note: Bold = Difference vs. Total Segment Top 10 List
Source: Cigar Management Framework, Section 6, Q.7

Wine Tasting Is Popular Among Some of the Premium-Preferring Cigar Segments

Lifestyle

Activities Participated in During Past Year — Top Ten Activities

Total	
1. Playing Cards	41%
2. Gardening	36
3. Casino Gambling	33
4. Fresh Water Fishing	32
5. Camping	32
6. Swimming	31
7. Golf	30
8. Biking Outdoors	28
9. Bowling	26
10. Exercise Machines	

Relationship Driven Connoisseurs	
1. Playing Cards	47%
2. Casino Gambling	41
3. Wine Tasting	**41**
4. Bowling	40
5. Gardening	39
6. Biking Outdoors	39
7. Camping	38
8. Swimming	36
9. Golf	36
10. Fresh Water Fishing	

Savvy Self-Reliant Connoisseurs	
1. Playing Cards	38%
2. Gardening	36
3. Camping	35
4. Fresh Water Fishing	34
5. Golf	31
6. Casino Gambling	30
7. Swimming	29
8. Biking Outdoors	26
9. Museums/Galleries	**25**
10. Exercise Machines	25

Emerging Enthusiasts	
1. Golf	58%
2. Playing Cards	45
3. Casino Gambling	41
4. Swimming	37
5. Biking Outdoors	36
6. Exercise Machines	36
7. Camping	34
8. Wine Tasting	**33**
9. Museums/Galleries	**33**
10. Basketball	**33**

Casual Enjoyers	
1. Gardening	42%
2. Playing Cards	33
3. Camping	31
4. Fresh Water Fishing	30
5. Swimming	27
6. Biking Outdoors	26
7. Hunting	**26**
8. Casino Gambling	24
9. Bowling	22
10. Wine Tasting	**21**

Special Occasion Only	
1. Playing Cards	54%
2. Casino Gambling	48
3. Golf	43
4. Swimming	42
5. Camping	40
6. Basketball	**40**
7. Biking Outdoors	40
8. Gardening	38
9. Exercise Machines	37
10. Weightlifting	**36**

Established Loyalists	
1. Gardening	47%
2. Playing Cards	39
3. Fresh Water Fishing	34
4. Casino Gambling	28
5. Swimming	26
6. Camping	26
7. Motor Boating/Boating	**21**
8. Hunting	**20**
9. Bowling	17
10. Biking Outdoors	16

Constrained Indulgence Seekers	
1. Playing Cards	42%
2. Fresh Water Fishing	30
3. Swimming	28
4. Camping	28
5. Gardening	27
6. Casino Gambling	25
7. Bowling	23
8. Hunting	**22**
9. Biking Outdoors	22
10. Golf	16
11. Basketball	**16**

Unenthusiastic Functionalists	
1. Fresh Water Fishing	37%
2. Gardening	36
3. Playing Cards	34
4. Casino Gambling	26
5. Swimming	25
6. Camping	25
7. Hunting	**24**
8. Bowling	22
9. Biking Outdoors	19
10. Golf	19
11. Motor Boating/Boating	**19**

Note: Bold = Difference vs. Total Segment Top 10 List
Source: Cigar Management Framework, Section 6, Q.8a

Pro Football Is Everyone's Favorite Spectator Sport

Lifestyle

Top Ten Sporting Events Enjoy Watching (TV or in Person)

Total

1.	Pro Football	63%
2.	College Football	42
3.	Pro Baseball	41
4.	Boxing	35
5.	Pro Basketball	33
6.	NASCAR	32
7.	Pro Golf	28
8.	College Basketball	27
9.	Fishing Show	25
10.	Pro Ice Hockey	24

Relationship Driven Connoisseurs

1.	Pro Football	64%
2.	Pro Baseball	48
3.	College Football	46
4.	Boxing	42
5.	Pro Golf	39
6.	Pro Basketball	35
7.	College Basketball	31
8.	Fishing Show	30
9.	NASCAR	29
10.	Pro Ice Hockey	27

Savvy Self-Reliant Connoisseurs

1.	Pro Football	61%
2.	Pro Baseball	44
3.	College Football	42
4.	Pro Basketball	36
5.	Boxing	32
6.	NASCAR	32
7.	**Drag Racing**	**27**
8.	Pro Golf	24
9.	Fishing Show	24
10.	College Basketball	23
11.	Pro Ice Hockey	23

Emerging Enthusiasts

1.	Pro Football	42%
2.	Pro Baseball	24
3.	College Football	23
4.	Boxing	23
5.	NASCAR	21
6.	Pro Basketball	19
7.	**Tennis**	**19**
8.	Pro Golf	17
9.	College Basketball	17
10.	Fishing Show	14
11.	Pro Ice Hockey	14

Casual Enjoyers

1.	Pro Football	61%
2.	Boxing	39
3.	College Football	35
4.	NASCAR	34
5.	Pro Baseball	32
6.	Pro Basketball	28
7.	Fishing Show	28
8.	**Hunting Show**	**24**
9.	**Drag Racing**	**23**
10.	Pro Golf	22

Special Occasion Only

1.	Pro Football	72%
2.	Pro Baseball	52
3.	College Football	48
4.	Pro Basketball	46
5.	College Basketball	43
6.	Pro Golf	41
7.	Boxing	40
8.	NASCAR	29
9.	Pro Ice Hockey	29
10.	**Tennis**	**20**

Established Loyalists

1.	Pro Football	54%
2.	College Football	35
3.	NASCAR	34
4.	Pro Baseball	33
5.	Boxing	31
6.	Pro Basketball	29
7.	Fishing Show	26
8.	**Drag Racing**	**24**
9.	**Pro Wrestling**	**24**
10.	**Rodeo**	**24**

Constrained Indulgence Seekers

1.	Pro Football	56%
2.	Pro Baseball	41
3.	NASCAR	40
4.	Boxing	37
5.	**Drag Racing**	**36**
6.	College Football	32
7.	Fishing Show	31
8.	**Hunting Show**	**30**
9.	**Pro Wrestling**	**26**
10.	Pro Basketball	25

Unenthusiastic Functionalists

1.	Pro Football	54%
2.	Pro Baseball	32
3.	College Football	30
4.	NASCAR	30
5.	Boxing	29
6.	**Pro Wrestling**	**28**
7.	Pro Basketball	26
8.	Fishing Show	26
9.	**Drag Racing**	**24**
10.	Pro Golf	21

Note: Bold = Difference vs. Total Segment Top 10 List
Source: Cigar Management Framework, Section 6, Q9

We Can Better Target Joint Promotions by Understanding the Segments' Favorite Activities

Lifestyle

- Gardening, fishing, card playing, and golf are common pastimes across the segments

Top 10 Lifestyle Activities (% Participating in Regularly)

Total	
1. Gardening	27%
2. Freshwater Fishing	21
3. Playing Cards	20
4. Golf	19
5. Camping	15
6. Biking Outdoors	14
7. Hunting	14
8. Exercise Machines	13
9. Weight Lifting	13
10. Fitness Walking	11

Relationship Driven Connoisseurs	
1. Gardening	28%
2. Playing Cards	27
3. Golf	25
4. Freshwater Fishing	22
5. Camping	19
6. Biking Outdoors	17
7. Weight Lifting	17
8. Wine Tasting	**17**
9. Swimming	**16**
10. Bowling	**14**

Savvy Self-Reliant Connoisseurs	
1. Gardening	26%
2. Freshwater Fishing	24
3. Golf	21
4. Playing Cards	19
5. Hunting	16
6. Biking Outdoors	15
7. Camping	**15**
8. Swimming	**15**
9. Fitness Walking	14
10. Museums/Galleries	**13**

Emerging Enthusiasts	
1. Golf	38%
2. Exercise Machines	26
3. Gardening	24
4. Biking Outdoors	19
5. Weight Lifting	18
6. Freshwater Fishing	18
7. Camping	16
8. Swimming	**15**
9. Playing Cards	14
10. Museums/Galleries	**14**

Casual Enjoyers	
1. Gardening	35%
2. Freshwater Fishing	20
3. Playing Cards	18
4. Hunting	15
5. Biking Outdoors	14
6. Camping	13
7. Exercise Machine	13
8. Fitness Walking	13
9. Weight Lifting	13
10. Golf	12

Special Occasion Only	
1. Golf	24%
2. Weight Lifting	23
3. Exercise Machines	22
4. Playing Cards	22
5. Biking Outdoors	21
6. Gardening	21
7. Camping	18
8. Freshwater Fishing	17
9. Jogging/Running	**15**
10. Fitness Walking	14
Hunting	14
Motor Boating	**14**

Established Loyalists	
1. Gardening	30%
2. Playing Cards	23
3. Freshwater Fishing	21
4. Camping	15
5. Hunting	13
6. Swimming	**13**
7. Collecting Antiques	**10**
8. Motor Boating	**10**
9. Casino Gambling	**10**
10. Fitness Walking	8

Constrained Indulgence Seekers	
1. Playing Cards	24%
2. Freshwater Fishing	19
3. Swimming	**16**
4. Camping	15
5. Gardening	15
6. Hunting	12
7. Biking Outdoors	11
8. Hiking	**10**
9. Bowling	**9**
10. Fitness Walking	9
Weight Lifting	9

Unenthusiastic Functionalists	
1. Gardening	29%
2. Fresh Water Fishing	24
3. Basketball	**18**
4. Hunting	17
5. Playing Cards	17
6. Camping	12
7. Golf	12
8. Motor Boating	**9**
9. Swimming	**8**
10. Fitness Walking	7

Bold = Difference vs. Total Segment Top 10 List

Source: Cigar Management Framework, Section 6, Q.8b

Three Segments Show a Propensity toward Indulgence Activities, Useful Information for Joint Promotions

Lifestyle

Indulgence Type Activities Engaged in (% Participating in Regularly)

Indulgent Activity	Total	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Domestic vacations	**31%**	34%	35%	42%	32%	43%	26%	13%	20%
Eat in expensive restaurants	**15**	26	16	18	12	25	9	1	7
Drink fine wine	**15**	31	15	29	10	20	8	5	3
Buy gourmet food to eat at home/elsewhere	**15**	28	20	25	10	13	7	5	6
Drink single-malt scotch/ small-batch bourbon	**10**	22	15	16	8	10	6	2	4
Own luxury car	**9**	12	9	14	9	11	8	2	5
Stay in luxury hotels	**7**	12	7	12	7	10	3	1	4
Buy expensive clothing	**8**	17	9	13	4	12	3	3	5
Buy expensive gifts	**8**	13	11	11	7	11	2	2	2
Foreign vacations	**6**	10	7	9	4	9	5	0	2
Have a massage	**4**	8	2	5	3	5	1	5	2
Have a manicure or facial	**2**	1	2	4	3	2	2	0	1
Buy custom-made clothing	**2**	4	2	2	3	1	1	0	1

Indulgence Activity Preferers

Source: Cigar Management Framework, Section 6, Q.14

The Connoisseur Segments Are Most Open to Forming Relationships with the Companies of the Brands They Buy

- The majority of consumers in the Connoisseur segments enjoy receiving information about products they purchase

Attitudes Toward Communications/Relationships With Companies (Top 2 Box % Agree*)

	All Cigar Smokers	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
I like being rewarded by companies for my loyalty	74%	81%	77%	75%	71%	71%
I don't mind sharing information with companies if it will result in improved products or services	72	81	75	68	74	58
I like it when companies or brands that I am loyal to recognize me for my loyalty	72	84	77	76	67	65
It's important to me to be recognized as a valued customer by companies or manufacturers I am loyal to	61	69	72	57	60	56
I like it when companies send me information about their products	49	60	61	46	46	34
I like it when I get offers for products or services through the mail	47	58	55	43	44	35
I like loyalty programs like frequent flyers or frequent shopper programs	46	59	50	55	44	57
Relationships with manufacturers of products I buy a lot of are important to me	36	42	48	38	32	26
I wish I knew more about the products I buy a lot of	30	37	39	23	29	17

= 120+ Index vs. Total Segments, = 115-119 Index, = 80 or Less Index
*Top 2 Box = Completely/Somewhat
Source: Cigar Management Framework, Section 1, Q1A

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Direct Marketing Response by Segment

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Have Ever Purchased From									
Catalog	67%	76%	83%	78%	63%	70%	52%	55%	57%
Internet website	20%	24%	29%	24%	15%	37%	10%	14%	8%
Mail solicitation, non-catalog	18%	21%	20%	23%	12%	16%	17%	23%	18%
TV advertisement responded to directly (800#)	15%	27%	19%	18%	11%	14%	8%	10%	14%
Magazine advertisement responded to directly (800#)	14%	27%	21%	16%	12%	10%	7%	9%	8%
TV home shopping clubs/QVC	12%	19%	15%	11%	11%	12%	10%	10%	12%
Telemarketing	6%	9%	9%	7%	4%	7%	3%	8%	4%
Door-to-door salesperson	5%	6%	3%	8%	4%	3%	5%	5%	3%
Purchased From 3 times or more in past year									
Catalog	37%	42%	59%	46%	35%	34%	28%	26%	27%
Internet website	9%	14%	17%	8%	6%	17%	5%	4%	3%
Mail solicitation, non-catalog	5%	6%	7%	3%	4%	3%	7%	9%	7%
Magazine advertisement responded to directly (800#)	4%	9%	10%	3%	3%	2%	1%	1%	2%
TV home shopping clubs/QVC	3%	6%	6%	3%	3%	2%	3%	1%	3%
TV advertisement responded to directly (800#)	3%	6%	3%	2%	3%	0%	2%	2%	2%
Door-to-door salesperson	1%	0%	0%	2%	1%	0%	1%	1%	1%
Telemarketing	1%	1%	2%	1%	2%	0%	1%	1%	0%

Source: Cigar Management Framework, Section VI, Q3

Loyalty/Reward Program Participation by Segment

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Regular status									
Airline frequent flier program	27%	32%	30%	43%	26%	44%	11%	12%	12%
Hotel awards program	15%	20%	15%	28%	14%	23%	7%	7%	5%
Grocery buyer program	32%	33%	35%	36%	29%	41%	22%	30%	27%
Credit card award program	29%	34%	23%	43%	27%	43%	24%	19%	19%
Car rental privilege program	11%	16%	14%	18%	10%	17%	6%	5%	2%
Gold/Elite status									
Airline frequent flier program	6%	12%	3%	12%	4%	13%	0%	0%	1%
Hotel awards program	4%	8%	4%	10%	3%	7%	0%	0%	1%
Grocery buyer program	3%	4%	2%	2%	3%	1%	1%	2%	4%
Credit card award program	8%	9%	10%	16%	6%	6%	7%	0%	6%
Car rental privilege program	4%	9%	3%	5%	4%	6%	1%	0%	1%

Source: Cigar Management Framework, Section VI, Q4

Airline Frequent Flyer Membership by Segment

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
American Airlines Advantage	15%	24%	19%	26%	11%	24%	4%	3%	5%
Continental OnePass	8%	12%	12%	20%	4%	13%	3%	2%	2%
Delta SkyMiles	14%	22%	18%	26%	9%	22%	3%	4%	4%
Northwest World Perks	9%	8%	12%	20%	6%	12%	4%	1%	3%
United Airlines Mileage Plus	12%	18%	12%	24%	10%	22%	4%	2%	2%
US Airways Frequent Traveler Program	10%	13%	10%	19%	8%	19%	4%	3%	3%
Hilton Honors	7%	11%	10%	15%	5%	12%	3%	0%	1%
Marriott Rewards	9%	14%	10%	20%	4%	15%	3%	1%	2%
Sheraton Club International	4%	9%	6%	9%	1%	7%	2%	1%	0%
Westin Premier	2%	3%	2%	4%	0%	4%	0%	0%	0%

Source: Cigar Management Framework, Section VI, Q5

Magazine Types Read Regularly by Segment

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Do not subscribe to, buy, or read magazines regularly	14%	6%	14%	8%	13%	10%	19%	20%	25%
Sports (e.g., Sports Illustrated, Field and Stream, Golf Digest)	31%	45%	26%	42%	30%	35%	19%	27%	23%
Business (e.g., Business Week, Fortune,	13%	23%	15%	23%	8%	24%	6%	3%	3%
Computers (e.g., PC World)	13%	19%	15%	13%	12%	17%	10%	12%	9%
Cooking and Food (e.g., Bon Appetit, Food & Wine, Southern Living)	13%	22%	19%	17%	10%	10%	7%	3%	12%
Health (e.g., Prevention, In Health, Men's	12%	20%	10%	14%	9%	20%	12%	4%	9%
Fitness (e.g., Fitness, Shape)	5%	12%	6%	6%	3%	4%	3%	3%	2%
News (e.g., Time, Newsweek, US News & World Report)	18%	27%	21%	24%	18%	16%	13%	10%	10%
General (e.g., TV Guide, Readers' Digest,	26%	32%	25%	21%	28%	12%	30%	34%	27%
In-flight airline magazines (e.g., United Airlines, Hemispheres)	3%	4%	5%	4%	3%	7%	0%	1%	1%
Political & Social Opinion (e.g., New Republic, Commentary)	4%	9%	8%	5%	4%	2%	4%	2%	2%
Mature (e.g., Modern Maturity, New	10%	9%	18%	3%	14%	4%	15%	8%	9%
Entertainment (e.g., People, US, Entertainment Weekly)	13%	16%	14%	13%	12%	15%	9%	10%	13%

Source: Cigar Management Framework, Section VI, Q6

(Continued)

Magazine Types Read Regularly by Segment (cont.)

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Homes (e.g., Better Homes and Gardens, Architectural Digest)	13%	20%	15%	11%	12%	13%	12%	10%	11%
Parenting (e.g., Parents, Child)	6%	6%	3%	7%	5%	7%	4%	9%	3%
Home improvement (e.g., Family Handyman)	13%	14%	15%	10%	18%	8%	13%	11%	13%
Science (e.g., Popular Science)	10%	16%	15%	11%	11%	9%	11%	7%	4%
Mens fashion magazines (e.g., GQ, Details)	6%	17%	6%	5%	4%	9%	3%	4%	1%
Mens general interest magazines (e.g., Playboy, Men's Journal, Esquire)	17%	29%	14%	19%	11%	24%	9%	21%	10%
Auto magazines (e.g., Road and Track, Motor Trend)	16%	22%	20%	14%	11%	14%	14%	23%	12%
Cigar magazines (e.g., Cigar Aficionado,	12%	48%	25%	9%	5%	0%	6%	4%	2%
Consumer magazines (e.g., Consumer Reports, Consumer Digest)	15%	15%	23%	17%	12%	15%	16%	10%	11%
Money/Finance (e.g., Money, Worth)	14%	22%	15%	23%	12%	18%	8%	7%	6%

Source: Cigar Management Framework, Section VI, Q7

Catalogs Purchased from Regularly by Segment

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Music									
Columbia House	24%	32%	28%	25%	23%	24%	11%	21%	23%
BMG	15%	16%	14%	19%	15%	22%	5%	15%	8%
Apparel									
L. L. Bean	21%	30%	26%	25%	23%	20%	14%	10%	15%
Lands End	19%	22%	23%	32%	15%	18%	15%	10%	11%
Eddie Bauer	14%	22%	19%	19%	12%	19%	4%	6%	5%
J. Crew	6%	10%	6%	6%	3%	12%	3%	1%	2%
Orvis	3%	4%	6%	3%	5%	4%	0%	1%	2%
Neiman Marcus	3%	5%	6%	3%	1%	6%	2%	1%	0%
Brooks Brothers	2%	2%	3%	3%	2%	2%	1%	0%	0%
J. Peterman	1%	5%	3%	1%	0%	1%	1%	1%	0%
Johnston & Murphy	1%	2%	3%	1%	0%	2%	0%	1%	0%
Joseph A. Banks	1%	2%	1%	1%	1%	2%	0%	0%	1%
Paul Frederick	1%	2%	2%	1%	0%	0%	0%	1%	1%
Bullock & Jones	0%	2%	1%	0%	1%	0%	0%	0%	0%
Tobacco									
Thompson's	13%	22%	39%	10%	10%	3%	11%	9%	5%
J. R. Tobacco	8%	15%	25%	6%	2%	2%	11%	1%	4%
Home									
Damark	8%	6%	12%	10%	9%	13%	4%	5%	5%
Crate & Barrel	4%	8%	8%	5%	2%	7%	1%	2%	2%
Pottery Barn	3%	4%	4%	4%	2%	5%	1%	2%	2%
Hold Everything	2%	2%	3%	3%	1%	2%	0%	0%	2%
Gumps	1%	1%	4%	1%	0%	1%	1%	0%	0%

Source: Cigar Management Framework, Section VI, Q10d

(Continued)

Magazines Read Regularly by Segment

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Playboy	16%	27%	15%	17%	9%	16%	16%	22%	13%
Sports Illustrated	13%	20%	10%	20%	11%	16%	9%	7%	8%
Newsweek	12%	15%	15%	17%	15%	11%	11%	5%	9%
Field & Stream	11%	17%	8%	5%	15%	7%	15%	10%	10%
Time	10%	16%	13%	15%	10%	9%	9%	5%	4%
Family Handyman	8%	9%	9%	5%	10%	2%	10%	10%	10%
Cigar Aficionado	8%	40%	16%	7%	3%	0%	2%	0%	1%
Popular Mechanics	8%	11%	9%	5%	9%	4%	14%	8%	6%
Car & Driver	7%	13%	7%	8%	4%	5%	5%	13%	6%
Outdoor Life	7%	11%	6%	7%	9%	3%	7%	6%	8%
Men's Health	7%	12%	4%	10%	5%	13%	5%	2%	4%
Penthouse	6%	11%	3%	7%	4%	5%	9%	11%	4%
PC Magazine	7%	7%	6%	9%	5%	9%	7%	3%	5%
Business Week	7%	12%	6%	9%	7%	11%	5%	2%	0%
Golf Digest	6%	9%	9%	12%	4%	4%	2%	5%	5%
Motor Trend	6%	10%	7%	4%	4%	6%	9%	5%	3%
Forbes	4%	9%	6%	7%	1%	7%	3%	1%	0%
Golf Mazagine	4%	6%	5%	8%	2%	4%	3%	3%	2%
Wine Spectator	4%	8%	6%	7%	2%	3%	2%	1%	1%
GQ	3%	12%	4%	2%	3%	4%	0%	1%	2%
Men's Fitness	3%	6%	3%	5%	3%	1%	2%	3%	1%
Esquire	3%	6%	3%	5%	3%	3%	2%	5%	1%
Today's Homeowner	3%	2%	7%	2%	2%	0%	3%	2%	3%
Smoke	3%	11%	4%	2%	2%	0%	2%	0%	0%
Details	2%	4%	2%	2%	1%	5%	0%	3%	0%
Men's Journal	2%	4%	2%	2%	1%	3%	2%	2%	1%
Outside	1%	1%	1%	1%	1%	2%	1%	1%	0%

Source: Cigar Management Framework, Section VI, Q7

Catalogs Purchased from Regularly by Segment (cont.)

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Toys									
The Sharper Image	7%	16%	11%	7%	5%	9%	0%	2%	4%
Brookstone	4%	10%	11%	3%	3%	4%	2%	0%	2%
Hammacher Schlemmer	4%	8%	8%	6%	1%	4%	1%	1%	1%
Levenger	2%	2%	6%	3%	2%	2%	2%	0%	1%
Frontgate	2%	3%	5%	5%	1%	1%	1%	0%	0%
Wallstreet Creators	0%	0%	1%	0%	1%	0%	0%	0%	0%
Vroom	0%	0%	1%	0%	0%	0%	0%	0%	0%
Sports/Gaming									
The Sportsmans Guide	6%	6%	11%	6%	6%	2%	5%	11%	5%
Austed	1%	0%	2%	3%	1%	2%	1%	1%	1%
Sports Preferred Living	1%	4%	1%	1%	1%	0%	1%	1%	0%
Overton	1%	1%	2%	2%	1%	0%	0%	1%	0%
Food/Wine									
Omaha Steaks	6%	7%	7%	7%	5%	3%	6%	5%	4%
Wine Enthusiast	2%	5%	0%	3%	1%	4%	1%	0%	0%
Balduccis	1%	1%	2%	0%	1%	1%	1%	1%	0%
Dean & Deluca	0%	2%	0%	1%	1%	0%	0%	0%	0%
Accessories/Entertaining									
Williams-Sonoma	6%	9%	9%	12%	2%	8%	2%	4%	2%
Ross Simons	1%	0%	3%	1%	0%	2%	1%	0%	0%
Horchow	1%	2%	1%	1%	1%	1%	1%	0%	0%

Source: Cigar Management Framework, Section VI, Q10d

(Continued)

Catalogs Purchased from Regularly by Segment (cont.)

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Adventure/Travel									
Patagonia	1%	3%	1%	3%	1%	1%	0%	1%	1%
Autosport	1%	3%	2%	1%	1%	0%	0%	0%	1%
Travelers	1%	2%	2%	0%	1%	0%	0%	1%	1%
Travelsmith	1%	0%	4%	1%	0%	0%	0%	0%	1%
Dooney & Bourke	1%	2%	3%	0%	1%	0%	0%	0%	0%
Willis & Geiger	1%	2%	2%	1%	1%	0%	0%	0%	0%
Field Trips	1%	2%	2%	0%	1%	0%	0%	0%	0%
Magellans	0%	1%	2%	0%	0%	0%	1%	0%	0%
Other	38%	38%	37%	36%	34%	38%	42%	40%	42%

Source: Cigar Management Framework, Section VI, Q10d

Automobile Ownership by Segment

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Do not own an auto	5%	5%	8%	2%	4%	2%	3%	10%	8%
Ford	29%	24%	26%	29%	29%	27%	31%	35%	29%
Chevrolet	26%	25%	24%	21%	35%	20%	32%	22%	26%
Dodge	13%	12%	15%	12%	16%	12%	15%	8%	13%
Toyota	8%	8%	8%	11%	9%	10%	7%	11%	5%
Nissan	7%	9%	6%	10%	4%	13%	2%	5%	5%
Pontiac	6%	7%	6%	4%	5%	4%	8%	10%	9%
GMC	6%	3%	7%	5%	7%	5%	6%	10%	6%
Honda	6%	5%	9%	7%	6%	13%	3%	2%	3%
Buick	6%	5%	7%	4%	9%	2%	8%	3%	6%
Jeep	5%	4%	2%	9%	9%	6%	3%	2%	3%
Mercury	4%	6%	4%	4%	4%	3%	6%	4%	5%
Chrysler	5%	2%	6%	6%	4%	3%	3%	6%	6%
Plymouth	4%	8%	2%	5%	4%	1%	5%	1%	5%
Cadillac	4%	6%	2%	2%	4%	2%	9%	4%	2%
Mazda	2%	0%	2%	2%	3%	4%	1%	4%	2%
Lincoln	2%	3%	2%	1%	2%	1%	4%	1%	2%
Mitsubishi	2%	3%	2%	5%	1%	2%	0%	0%	2%
VW	2%	5%	2%	2%	2%	3%	0%	1%	0%
Mercedes-Benz	2%	3%	3%	1%	3%	1%	2%	0%	1%
Isuzu	2%	1%	2%	2%	2%	2%	0%	0%	2%
Saturn	2%	3%	1%	1%	2%	3%	3%	0%	1%
Volvo	2%	4%	0%	2%	4%	1%	1%	0%	0%

Source: Cigar Management Framework, Section VI, Q12

(Continued)

Automobile Ownership by Segment (cont.)

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Acura	1%	1%	1%	4%	0%	2%	1%	0%	1%
BMW	1%	3%	0%	4%	1%	2%	0%	1%	0%
Hyundai	1%	0%	0%	1%	1%	0%	0%	2%	1%
Lexus	1%	0%	0%	2%	0%	1%	0%	0%	1%
Saab	0%	1%	0%	1%	1%	1%	0%	0%	0%
Audi	0%	1%	2%	0%	0%	0%	0%	0%	0%
Jaguar	0%	1%	0%	1%	1%	0%	1%	0%	0%
Land Rover	0%	1%	0%	1%	0%	1%	0%	0%	0%
Infiniti	0%	1%	0%	0%	0%	1%	0%	0%	0%
Other	9%	4%	13%	9%	10%	9%	12%	10%	6%

Source: Cigar Management Framework, Section VI, Q12

Stores Patronized Regularly by Segment

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
WalMart	71%	60%	69%	62%	72%	61%	84%	81%	80%
Kmart	62%	57%	66%	54%	57%	54%	73%	68%	72%
Sears	56%	60%	54%	50%	63%	48%	65%	55%	56%
JC Penney	53%	54%	48%	55%	60%	52%	53%	47%	48%
Target	42%	45%	42%	49%	38%	56%	36%	43%	31%
Sams Club	31%	35%	38%	31%	29%	26%	37%	29%	26%
The Gap	21%	27%	23%	30%	15%	43%	9%	10%	10%
Eddie Bauer	19%	27%	19%	32%	14%	32%	8%	5%	7%
Old Navy	17%	24%	23%	23%	11%	28%	13%	10%	9%
Price Club/Costco	17%	26%	11%	20%	19%	24%	9%	11%	12%
Pier One	16%	29%	21%	19%	14%	19%	13%	5%	10%
Montgomery Ward	15%	19%	15%	10%	14%	14%	18%	20%	15%
Macys	16%	29%	17%	20%	13%	25%	8%	10%	5%
TJ Maxx	12%	12%	11%	18%	13%	16%	9%	5%	9%
Mervyns	11%	13%	8%	14%	12%	16%	9%	9%	8%
Nordstrom	11%	17%	9%	18%	6%	25%	3%	6%	2%
Marshalls	9%	15%	14%	13%	11%	11%	4%	2%	3%
Big & Tall	8%	17%	15%	7%	7%	3%	7%	3%	8%
Willams-Sonoma	7%	9%	9%	14%	4%	13%	1%	3%	0%
Banana Republic	6%	10%	6%	11%	4%	13%	5%	3%	1%
Sharper Image	6%	14%	10%	7%	4%	9%	0%	4%	2%
Brookstone	6%	9%	6%	10%	6%	10%	2%	1%	3%
Lord & Taylor	6%	9%	2%	13%	10%	6%	2%	1%	1%
Neiman Marcus	6%	12%	7%	9%	4%	9%	4%	0%	1%

Source: Cigar Management Framework, Section VI, Q16

(Continued)

Stores Patronized Regularly by Segment (cont.)

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Neiman Marcus	6%	12%	7%	9%	4%	9%	4%	0%	1%
Marshall Fields	5%	4%	9%	6%	5%	9%	3%	2%	3%
Florsheim	5%	9%	7%	11%	5%	4%	3%	0%	1%
Brooks Brothers	5%	14%	5%	8%	4%	6%	1%	1%	2%
Lazarus	4%	6%	5%	5%	4%	4%	4%	2%	1%
Kaufmans	4%	5%	2%	7%	3%	4%	5%	1%	5%
Belks	4%	3%	5%	2%	4%	7%	3%	4%	3%
Saks Fifth Avenue	4%	6%	5%	5%	3%	8%	2%	1%	0%
Bloomingdales	4%	8%	5%	5%	4%	4%	0%	2%	0%
Filenes	3%	6%	5%	6%	3%	4%	2%	1%	1%
Hechts	3%	6%	2%	4%	4%	2%	2%	1%	3%
Robinsons-May	3%	4%	2%	4%	3%	2%	0%	3%	2%
Burdines	2%	3%	1%	4%	5%	2%	1%	2%	0%
Sterns	2%	5%	1%	2%	3%	2%	3%	1%	1%
Richs	2%	0%	2%	1%	1%	4%	3%	2%	1%
Cole Haan	2%	6%	2%	2%	0%	3%	1%	0%	0%
Barneys	1%	3%	1%	2%	2%	2%	1%	0%	0%

Source: Cigar Management Framework, Section VI, Q16

Major Clothing Brands Worn by Segment

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Levis	68%	71%	60%	73%	66%	76%	62%	69%	65%
Dockers	53%	62%	55%	64%	47%	65%	39%	41%	45%
Hanes	42%	44%	36%	49%	41%	42%	38%	42%	44%
Nike	42%	52%	33%	56%	36%	63%	25%	30%	33%
Polo/Ralph Lauren	30%	38%	23%	46%	26%	50%	18%	16%	15%
Calvin Klein	21%	27%	22%	28%	17%	29%	14%	18%	12%
Tommy Hilfiger	20%	25%	16%	34%	13%	32%	13%	12%	11%
Champion	16%	19%	12%	27%	12%	29%	7%	10%	5%
Nautica	13%	16%	12%	23%	13%	25%	6%	5%	3%
Perry Ellis	9%	16%	7%	16%	8%	18%	3%	3%	2%
Armani/Giorgio Armani	7%	19%	3%	11%	4%	12%	2%	1%	3%
Hugo Boss	5%	12%	6%	10%	2%	7%	3%	1%	3%
Liz Claiborne for Men	5%	12%	3%	8%	4%	6%	4%	1%	3%
Burberry	3%	9%	3%	4%	3%	2%	2%	0%	1%
Slates	2%	3%	3%	4%	1%	1%	3%	1%	1%
Alfred Dunhill	1%	3%	3%	1%	1%	1%	2%	0%	1%
Ermenegildo Zegna	1%	1%	1%	2%	1%	3%	2%	0%	0%

Source: Cigar Management Framework, Section VI, Q17

Major Liquor and Wine Brands Regularly Used by Segment

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Vodkas									
Absolut	24%	33%	17%	39%	16%	46%	9%	15%	10%
Smirnoff	16%	16%	14%	11%	19%	24%	18%	15%	15%
Stolichnaya	11%	20%	11%	18%	10%	21%	5%	4%	1%
Rums									
Bacardi	25%	29%	23%	25%	26%	31%	21%	24%	21%
Captain Morgans	11%	17%	9%	13%	9%	18%	6%	6%	5%
Myers	3%	3%	5%	7%	4%	3%	3%	1%	1%
Bourbons									
Jack Daniels	28%	40%	30%	34%	26%	31%	18%	25%	20%
Jim Beam	16%	19%	19%	17%	17%	18%	10%	12%	15%
Wild Turkey	11%	16%	9%	10%	13%	13%	11%	9%	7%
Makers' Mark	5%	7%	3%	11%	3%	6%	3%	2%	2%
Knob Creek	2%	4%	2%	3%	2%	4%	0%	0%	0%
Scotch Whiskies									
Chivas Regal	10%	22%	10%	11%	12%	9%	13%	1%	3%
Johnnie Walker	8%	17%	8%	8%	9%	6%	6%	7%	2%
Glenlivet	8%	14%	7%	15%	7%	9%	2%	1%	2%
Dewars	7%	9%	8%	11%	6%	9%	5%	2%	5%
Glenfiddich	7%	17%	6%	13%	6%	7%	2%	2%	1%
J & B	6%	9%	6%	5%	5%	5%	9%	1%	5%
Clan Macgregor	1%	2%	1%	1%	1%	1%	3%	0%	1%
Other Whiskies									
Crown Royal	17%	22%	14%	22%	15%	18%	14%	14%	15%
Canadian Club	10%	9%	9%	10%	13%	10%	14%	7%	6%
7 Crown	8%	12%	8%	6%	8%	6%	11%	10%	8%

Source: Cigar Management Framework, Section VI, Q19

(Continued)

Major Liquor and Wine Brands Regularly Used by Segment (cont.)

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Gins									
Tanqueray	15%	22%	18%	29%	12%	21%	6%	4%	4%
Beefeater	7%	15%	4%	11%	7%	10%	5%	3%	2%
Gordons	6%	9%	9%	5%	5%	4%	8%	6%	4%
Cordials									
Southern Comfort	11%	17%	10%	8%	11%	12%	8%	15%	8%
Grand Marnier	8%	16%	9%	13%	9%	5%	3%	2%	3%
DeKuyper	4%	4%	4%	4%	6%	5%	3%	3%	3%
Cognacs									
Courvoisier	5%	12%	4%	10%	5%	4%	2%	1%	5%
Hennessy	5%	11%	3%	5%	3%	3%	3%	2%	6%
Remy Martin	5%	8%	5%	6%	5%	4%	2%	2%	5%
Martell	1%	5%	0%	2%	1%	0%	3%	0%	1%
Other									
Seagrams	20%	23%	11%	12%	20%	26%	24%	22%	20%
Jose Cuervo	19%	27%	22%	23%	14%	34%	12%	7%	13%
E & J	4%	6%	5%	2%	6%	3%	5%	5%	3%
Wines									
Sutter Home	10%	12%	6%	14%	15%	20%	3%	9%	3%
Kendall Jackson	8%	11%	10%	15%	6%	15%	1%	2%	1%
Robert Mondavi	7%	11%	4%	18%	4%	10%	2%	0%	1%
Beringer	6%	10%	3%	11%	6%	10%	2%	2%	3%
Glen Ellen	6%	9%	4%	11%	9%	10%	2%	3%	1%
Fetzer	3%	5%	3%	4%	4%	6%	3%	2%	0%

Source: Cigar Management Framework, Section VI, Q19

(Continued)

Major Liquor and Wine Brands Regularly Used by Segment (cont.)

	Total	Relationship-Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only	Established Loyalists	Constrained Indulgence Seekers	Unenthusiastic Functionalists
Champagnes									
Korbel	9%	15%	7%	8%	10%	15%	3%	8%	3%
Moet & Chandon	5%	12%	5%	11%	4%	9%	1%	2%	1%
Andre	4%	8%	1%	2%	4%	1%	6%	7%	5%
Freixenet	4%	5%	4%	5%	4%	5%	1%	3%	1%
Cooks	3%	5%	2%	2%	4%	3%	2%	2%	1%
Ports									
Taylor	3%	4%	5%	1%	5%	1%	0%	1%	1%

Source: Cigar Management Framework, Section VI, Q19

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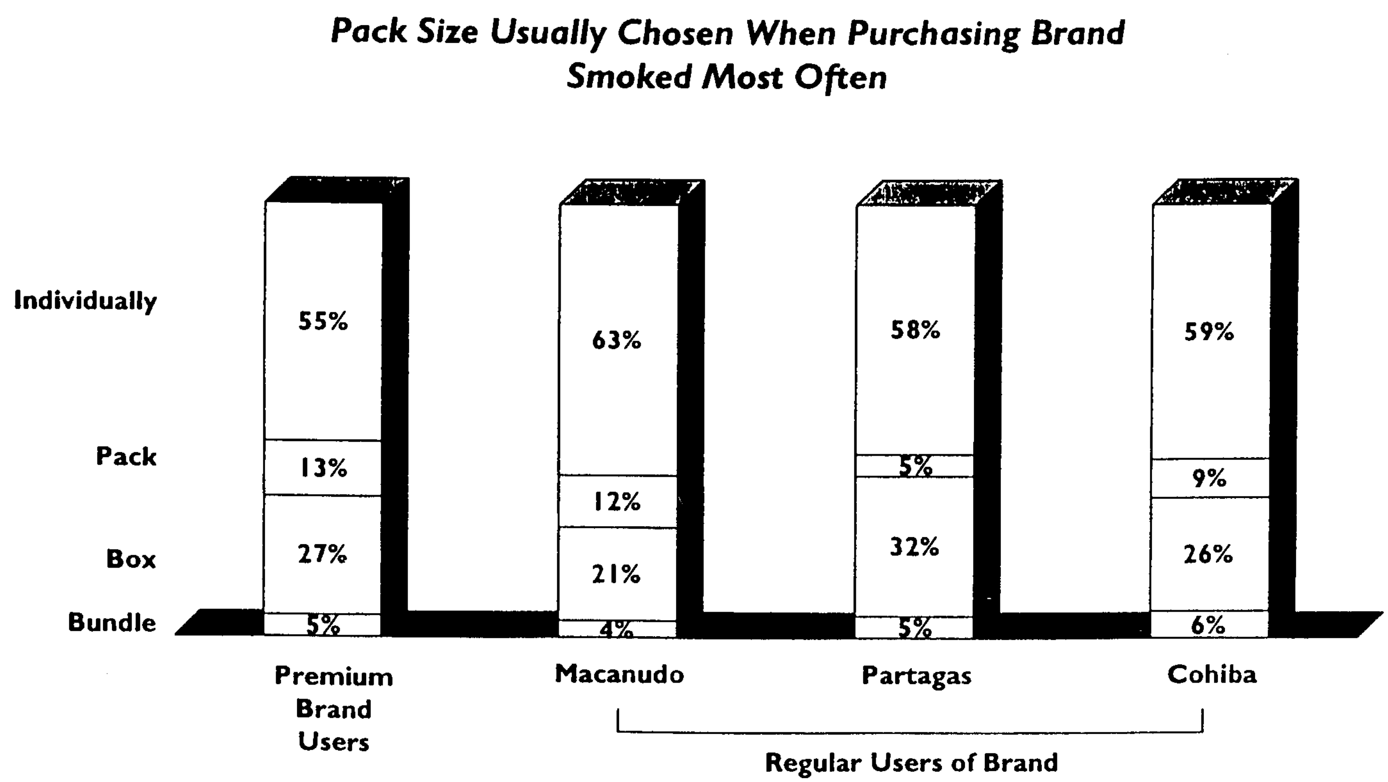
Macanudo Smokers Are Less Likely to Buy Cigars by the Box

Category Behavior



Source: Cigar Management Framework, Section 2, Q20

Partagas and Cohiba Smokers Are Especially Likely to Buy Most of Their Cigars from a Tobacconist

- Macanudo users are less likely to buy cigars from catalogs than all premium brand users

Channel Preferences
(Store Type Purchased from Most Often)

Store Types	Premium Brand Users	Regular Users of Brand: Macanudo	Regular Users of Brand: Partagas	Regular Users of Brand: Cohiba
Tobacconist	53%	62%	70%	64%
Food/Drug/Mass/ C-Store	11	8	5	3
Catalog/Internet	16	12	15	9
On Premise	4	3	2	5

☐ = 120 Indices vs. % of sample

Source: Cigar Management Framework, Section 2, Q.14C

Tobacconists Are by Far the Most Frequently Used Sources of Cigar Information Among Partagas and Cohiba Smokers

Category Behavior

- Among Macanudo users, tobacconists are second only to friends

Cigar Information Sources
(% of Respondents Citing As Information Source)

Information Sources	Premium Brand Users	Regular Users of Brand: Macanudo	Partagas	Cohiba
People				
Friends	63%	72%	71%	74%
Tobacconist/Smoke Shop Personnel	56	65	68	65
Business Associates/Co-workers	28	33	33	33
Relatives	17	30	15	19
Non People				
Cigar Catalogs	31	28	38	30
Cigar Aficionado	28	34	52	45
Cigar Books/Guides	13	14	27	26
Internet	13	12	24	16
Smoke Magazine	8	7	15	8
Radio	4	4	6	6
TV	4	3	2	5

☐ = 120 Indices vs. % of sample
Source: Cigar Management Framework, Section 2, Q26

Macanudo, Partagas, and Cohiba Smokers Enjoy the Same Sporting Events As The Average Premium Cigar Smoker

Lifestyle

Top Ten Sporting Events Enjoy Watching (TV or in Person)

Premium Brand Users		Regular Users of Brand: Macanudo		Partagas		Cohiba	
1. Pro Football	68%	1. Pro Football	72%	1. Pro Football	65%	1. Pro Football	80%
2. College Football	50	2. Pro Baseball	48	2. Pro Baseball	54	2. College Football	61
3. Pro Baseball	46	3. College Football	48	3. College Football	48	3. Pro Baseball	59
4. Pro Golf	37	4. Pro Golf	42	4. Pro Golf	41	4. Pro Golf	55
5. Pro Basketball	36	5. Pro Basketball	38	5. Boxing	39	5. Pro Basketball	48
6. Boxing	35	6. Pro Ice Hockey	37	6. Pro Basketball	38	6. College Basketball	46
7. College Basketball	33	7. Boxing	37	7. College Basketball	36	7. Boxing	45
8. Pro Ice Hockey	31	8. College Basketball	35	8. Pro Ice Hockey	35	8. Pro Ice Hockey	37
9. NASCAR Racing	29	9. NASCAR Racing	30	9. NASCAR Racing	26	9. NASCAR Racing	27
10. Fishing Show	23	10. Fishing Show	19	10. Fishing Show	22	10. Fishing Show	25

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Note: Bold = Difference vs. Total Segment Top 10 List
Source: Cigar Management Framework, Section 6, Q9

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Macanudo Taste Perceptions Notably Improve Among Regular Macanudo Users As Opposed to Brand Aware Smokers

Macanudo Imagery Comparison
(% Agree)

Taste and Quality Elements	Macanudo Aware	Macanudo Ever Tried	Macanudo Regular Users	User/Aware Difference
Great taste	42%	49%	66%	+24 pp
Smooth taste	37	42	57	+20
Well constructed	42	47	61	+20
Fresh	36	42	56	+20
Easy draw	38	43	57	+19
Easy to smoke	39	44	58	+19
Consistent quality	47	52	66	+19
High quality	46	52	61	+15
Full flavored	23	25	33	+10

Source: Cigar Management Framework, Section 5, Q1C

Partagas Regular Users Give the Brand Much Higher Taste and Quality Ratings Than Those Who Are Only Aware of the Brand

Partagas Imagery Comparison
(% Agree)

Taste and Quality Elements	Partagas Aware	Partagas Ever Tried	Partagas Regular Users	User/Aware Difference
Great taste	35%	44%	66%	+31 pp
Consistent quality	42	51	72	+30
Easy to smoke	31	39	57	+26
Easy draw	31	39	56	+25
Smooth taste	28	34	51	+23
Well constructed	44	54	67	+23
Fresh	31	40	54	+23
Full flavored	28	36	46	+18
High quality	44	51	61	+17

Source: Cigar Management Framework, Section 5, Q1C

Cohiba's "Easy Smoking" and Taste Perceptions Are Much Stronger Among Regular Cohiba Smokers

- It may be that those only aware of the brand think it may be a stronger flavor and thus, not as easy a smoke

Cohiba Imagery— Users vs. Aware Comparison
(% Agree)

Taste and Quality Elements	Cohiba Aware	Cohiba Ever Tried	Cohiba Regular Users	User/Aware Difference
Easy to smoke	25%	32%	53%	+28 pp
Great taste	34	41	61	+27
Easy draw	27	33	52	+25
Consistent quality	37	45	62	+25
Smooth taste	25	31	49	+24
High quality	42	49	62	+20
Fresh	29	34	46	+17
Well constructed	40	45	55	+15
Full flavored	29	34	39	+10

Source: Cigar Management Framework, Section 5, Q1C

Relationship-Driven Connoisseurs Have a High Opinion of Macanudo

- Special Occasion Only also gives Macanudo higher than average ratings
- Savvy Self-Reliants are less likely to see Macanudo as good value

Macanudo Imagery Among Premium-Driven Segments (% Agree Among Brand Aware)

	Brand Imagery	All Smokers	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
Quality Elements	Consistent quality	46%	52%	49%	50%	35%	51%
	High quality	45	51	48	53	37	40
	Well constructed	41	54	46	38	30	51
	Brand I trust	40	51	41	46	29	46
	Easy to smoke	38	44	38	41	34	53
	Easy draw	37	44	33	41	35	42
	Fresh	35	47	29	40	32	39
Price/Value	Smart choice	25	31	27	27	16	30
	Good value	22	29	15	24	20	25
	Low price	6	6	5	6	6	5
Taste	Great taste	42	52	44	46	35	40
	Smooth taste	37	47	38	43	27	44
	Mild taste	28	32	36	28	24	23
	Full flavored	23	39	18	20	21	19
	Medium taste	20	22	16	26	18	16
	Strong taste	9	17	6	9	5	12
Recommendations	Recommended by tobacconists	30	42	24	37	23	26
	Recommended by friends	26	24	16	34	17	46
	Recommended by magazine	16	28	16	17	7	18

= 120+ Index vs. Total Segments, = 80 or Less Index

Source: Cigar Management Framework, Section S, Q1C

Relationship-Driven Connoisseurs Also Give Macanudo Stronger Brand Personality Ratings

Macanudo Brand Personality Among Premium-Driven Segments (% Agree Among Brand Aware)

Brand Personality	All Smokers	Relationship Driven Connoisseurs	Savvy Self-Reliant Connoisseurs	Emerging Enthusiasts	Casual Enjoyers	Special Occasion Only
Popular	40%	$\boxed{51\%}$	44%	45%	27%	$\boxed{53\%}$
Reliable	27	$\boxed{34}$	27	$\boxed{33}$	22	28
For social smokers	24	$\boxed{37}$	19	28	15	$\boxed{33}$
For serious smokers	24	$\boxed{34}$	$\boxed{31}$	24	18	19
Refined taste	23	$\boxed{30}$	20	$\boxed{29}$	20	21
Prestigious	21	25	$\boxed{26}$	22	13	25
Trendy	20	$\boxed{24}$	18	23	13	$\boxed{25}$
Masculine	18	$\boxed{22}$	19	17	16	$\boxed{26}$
Casual	18	19	12	$\boxed{24}$	17	18
Sophisticated	16	$\boxed{20}$	19	$\boxed{21}$	5	16
Individualistic	13	$\boxed{17}$	$\boxed{16}$	13	13	5
Sporty	9	$\boxed{17}$	6	10	2	$\boxed{14}$
Innovative	5	$\boxed{10}$	5	2	4	5

$\boxed{}$ = 120+ Index vs. Total Segments, ⬭ = 80 or Less Index
Source: Cigar Management Framework, Section S, Q1C

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Fuente and Te Amo Users Are Frequent Smokers

Smoking Behavior

- Te Amo smokers smoke over six cigars per week

Cigar Smoking Frequency
(% of Smokers)

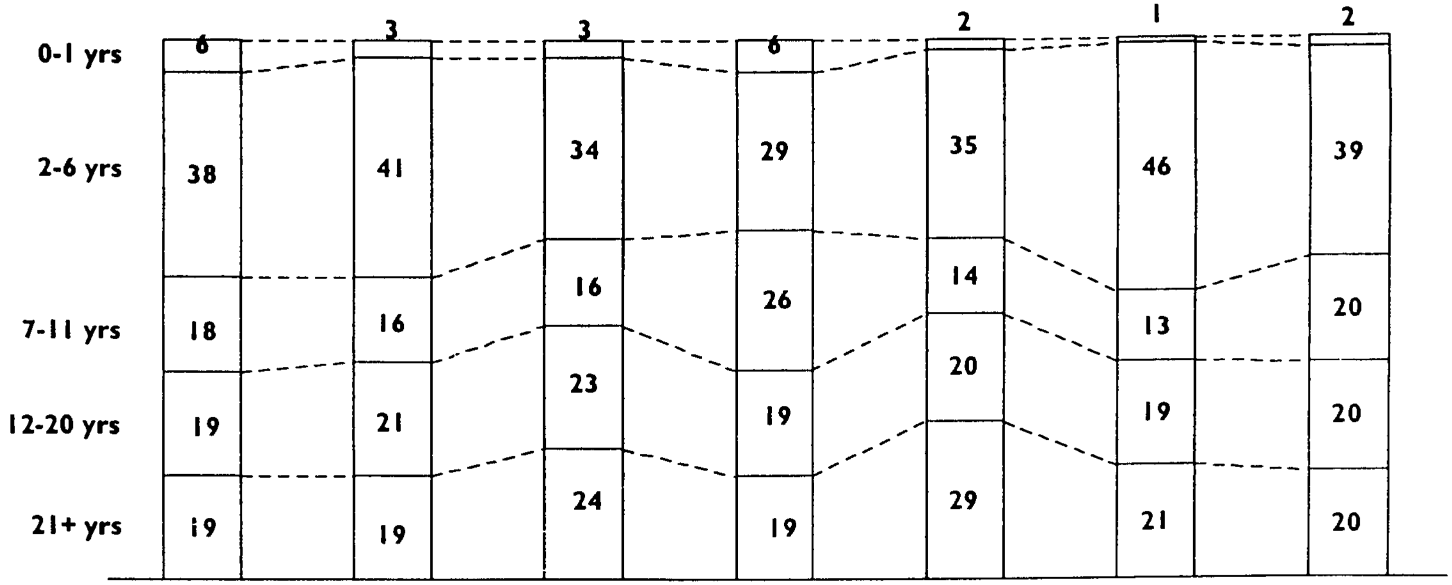
	Premium Brand Total	Regular Users of Brand: Fuente	H. Upmann	Don Diego	Te Amo	Monte Cristo	Davidoff
Once a day or more	13%	17%	14%	13%	20%	17	15
Once a week or more	52	72	59	67	69	58	65
Once a month or more	88	97	94	92	94	94	94
Less than once a month	12	3	6	8	6	6	6
Avg. # of Cigars Smoked/Week	3.7	4.8	3.8	4.3	6.4	3.5	4.6

☐ = 120 Indices vs. Total sample
Source: Cigar Management Framework, Section 2, Q.2, Q.3

Upmann and Te Amo Smokers Have Been Smoking Longer on Average

Smoking Tenure

Smoking Tenure



	Premium Brand Users	Fuente	H. Upmann	Don Diego	Te Amo	Montecristo	Davidoff
Mean # of years smoked	12 yrs	12 yrs	14 yrs	12 yrs	14 yrs	12 yrs	12 yrs

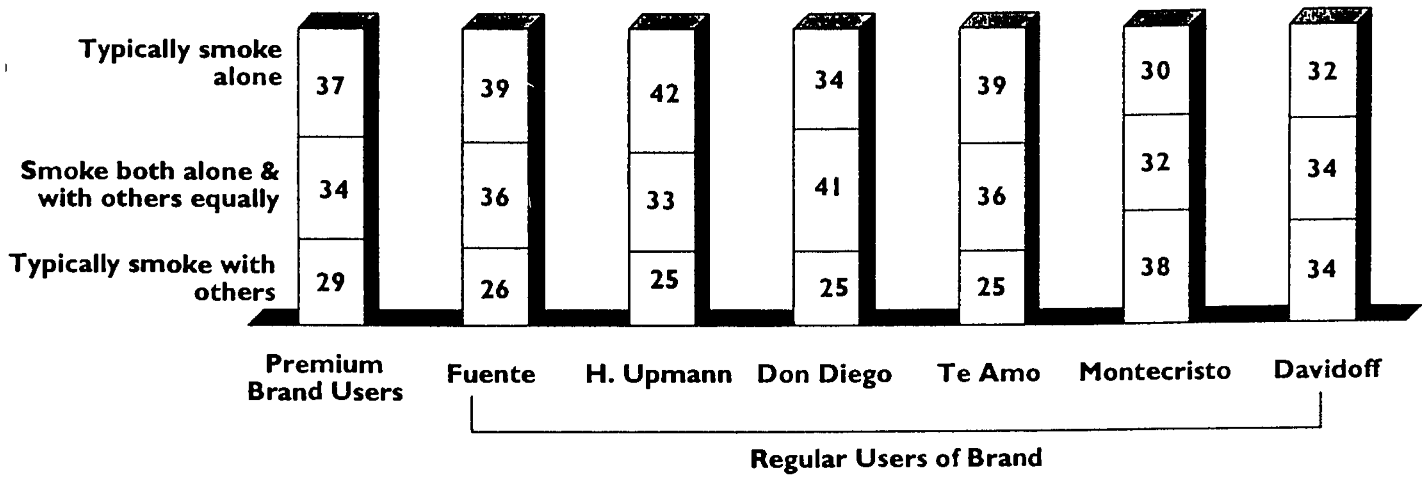
Source: Cigar Management Framework Section 2, Q.1

Upmann Smokers Are Also More Solitary

Smoking Behavior

- Among competitive brands, Montecristo, Davidoff, Cohiba, and Macanudo users tend to be more social

Social vs. Solitary Smoking (% of Smokers)



Source: Cigar Management Framework, Section 2, Q.7

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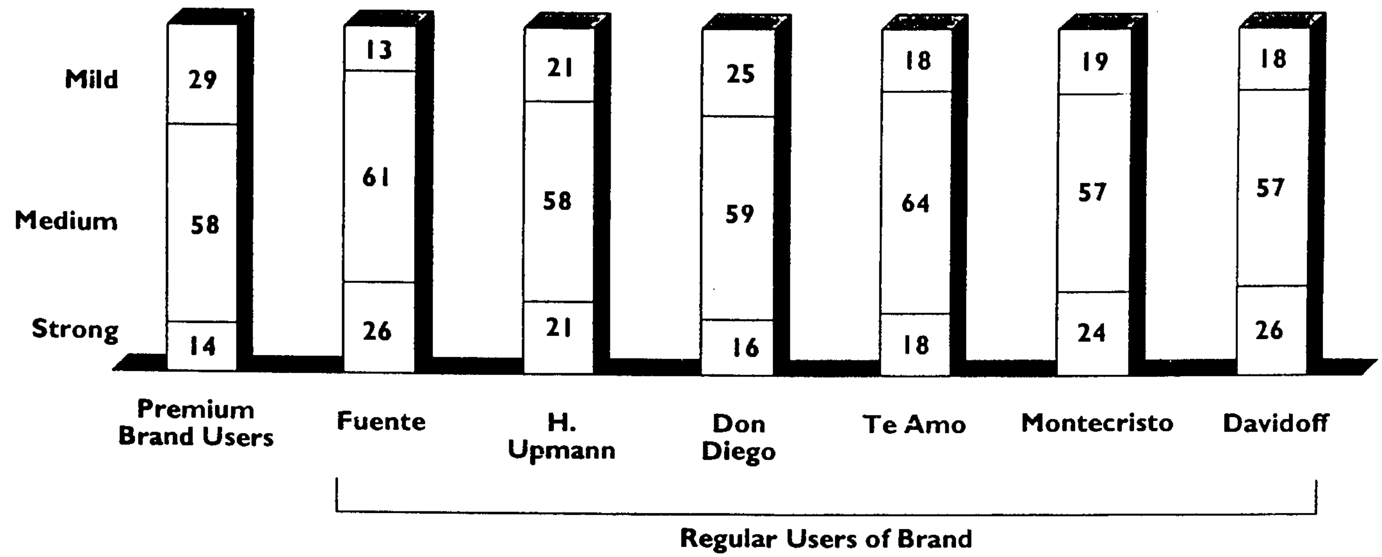
Fuente and Davidoff Smokers Prefer a Strong Cigar More Than the Other Competitive Premium Brand Smokers

Flavor Preference

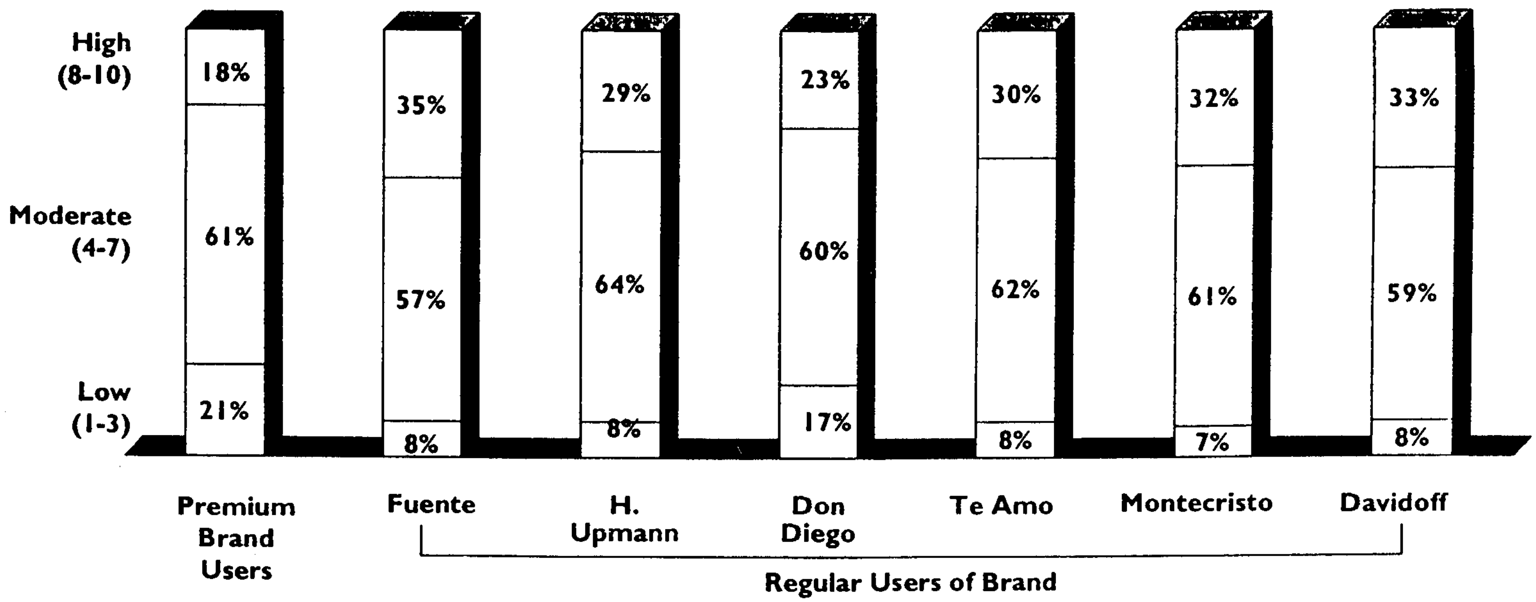


Source: Cigar Management Framework, Section 2, Q.18

Among Competitive Premium Brand Smokers, Fuente Users Are Most Likely to See Themselves As Knowledgeable

Category Behavior

Cigar Knowledge Level
(Self-Rated on 10 Point Scale)*



	Premium Brand Users	Fuente	H. Upmann	Don Diego	Te Amo	Montecristo	Davidoff
Mean	5.5	6.4	6.4	5.7	6.4	6.3	6.4

Note: * 10 = extremely knowledgeable, 1 = not very knowledgeable
Source: Cigar Management Framework, Section 2, Q21

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Competitive Brand Users Buy Most Often From Tobacconists, Especially Davidoff and Montecristo Users

Channel Behavior

Channel Preferences
(Store Type Purchased from Most Often)

Store Types	Premium Brand Users	Regular Users of Brand: Fuente	H. Upmann	Don Diego	Te Amo	Montecristo	Davidoff
Tobacconist	53%	62%	61%	57%	56%	$\boxed{68\%}$	$\boxed{71\%}$
Food/Drug/Mass/C-Store	11	7	4	10	11	6	0
Catalog/Internet	16	18	16	13	20	14	7
On Premise	4	2	0	3	2	4	3

☐ = 120 Indices vs. % of sample
Source: Cigar Management Framework, Section 2, Q.14C and Q.20

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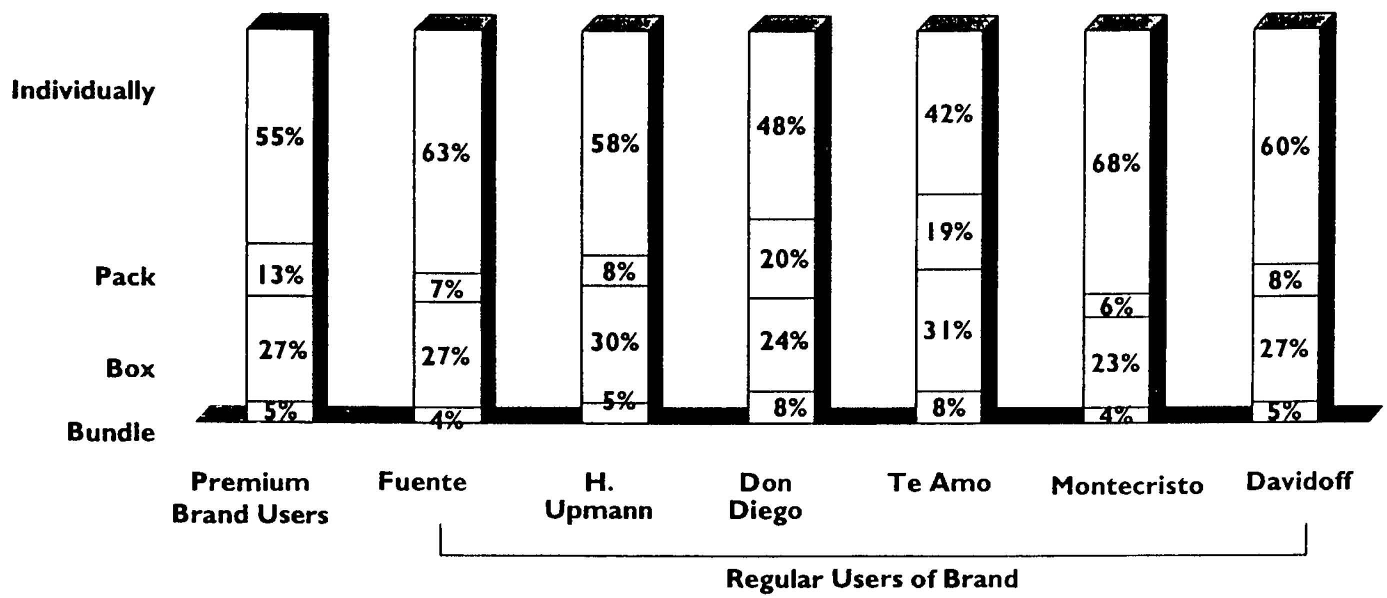
Over Half of Fuente, Montecristo and Davidoff Smokers Typically Purchase Even Their Favorite Brand of Cigars Individually

Category Behavior

Pack Size Usually Chosen When Purchasing Brand Smoked Most Often



Source: Cigar Management Framework, Section 2, Q20

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Davidoff, Upmann, and Montecristo Smokers Have the Highest Average Incomes among Competitive Brand Smokers

Demographics

Demographic Summary

	Premium Brand Users	Regular Users of Brand: Fuente	H. Upmann	Don Diego	Te Amo	Montecristo	Davidoff
Mean Age (Years)	40	41	42	41	43	39	39
% Under Age 35	35%	28%	23%	34%	20%	38%	34
% Single/Divorced/ Widowed	38%	30%	25%	34%	32%	29%	37
% with Children <18	35%	36%	36%	39%	38%	40%	37
Mean Household Income	$64,040	$69,950	$\boxed{\$ 82,220}$	$ 64,370	$ 67,250	$\boxed{\$77,480}$	$\boxed{\$ 86,150}$
% College Graduates+	56%	60%	$\boxed{71\%}$	51%	54%	62%	$\boxed{75\%}$
% with Managerial/ Prof./Exec. Occupations	50%	56%	$\boxed{64\%}$	42%	47%	56%	$\boxed{61\%}$
% Employed Full-Time	89%	90%	93%	89%	85%	90%	95%
% Retired/Not Employed	6%	6%	3%	$\boxed{10\%}$	$\boxed{10\%}$	6%	2%
% Owning Own Business	20%	16%	24%	$\boxed{28\%}$	19%	18%	25%

$\boxed{}$ = 120+ Index

Source: Cigar Management Framework, Panel Data, Section 1, Q1, Section 6, Q2a

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Among Competitive Brands, Regular Smokers of Davidoff and Fuente Give Their Brands the Highest Quality Marks

Brand Perceptions — Competitive Premium Brands
(% Agree Among Regular Brand Users)

		12 Brand Average	Fuente	H. Upmann	Don Diego	Te Amo	Montecristo	Davidoff
Quality Elements	Consistent quality	64%	71%	63%	58%	51%	64%	75%
	Brand I trust	63	70	69	54	52	62	69
	Well constructed	61	70	53	59	59	61	67
	High quality	60	73	57	63	40	67	76
	Easy draw	57	60	50	59	56	55	63
	Easy to smoke	56	60	52	58	53	57	61
	Fresh	54	58	51	51	47	55	63
Price/ Value	Smart choice	40	52	37	43	36	45	55
	Good value	39	39	43	44	55	29	35
	Low price	14	10	11	15	26	8	14
Taste	Great taste	64	72	65	61	53	66	78
	Smooth taste	52	62	53	53	47	47	57
	Full flavored	40	48	37	31	37	40	43
Recommended	Recommended by tobacconists	43	51	39	41	25	45	61
	Recommended by friends	29	39	22	27	17	29	39
	Recommended by magazines	24	35	22	26	16	27	29

Fuente: *Quality choice and often recommended*

Te Amo: *Value, but lacks on quality*

Davidoff: *Superior quality and taste/highly recommended*

☐ = 120+ Index vs. 12 Brand Average, ◯ = 80 or Less ndex

Source: Cigar Management Framework, Section 5, Q.1C

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Davidoff Has Strong Associations As Being a Special Occasion Cigar

Brand Perceptions — Competitive Premium Brands
(% Agree Among Regular Brand Smokers)

		12 Brand Average	Fuente	H. Upmann	Don Diego	Te Amo	Montecristo	Davidoff
Occasion Types	Good for relaxing	54%	58%	51%	54%	44%	58%	57%
	Good for special occasions	42	53	35	41	31	46	61
	Good for a gift	44	50	44	32	29	48	59
	Good as a reward	32	37	28	27	21	37	41
	Good for everyday	32	34	34	42	41	23	29
	Easy to find/widely available	46	43	51	45	53	30	41
	Attractive packaging	20	27	20	22	14	20	31

= 120+ Index vs. 12 Brand Average, = 80 or Less Index
Source: Cigar Management Framework, Section 5, Q.1C

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Davidoff and Montecristo Have Prestigious and Sophisticated Brand Personalities

- Te Amo and Diego are seen as more casual types of brands

Brand Perceptions — Competitive Premium Brands
(% Agree Among Regular Brand Users)

Brand Personality	12 Brand Average	Fuente	H. Upmann	Don Diego	Te Amo	Montecristo	Davidoff
Reliable	44%	51%	52%	41%	40%	43%	49%
Popular	43	47	39	46	38	43	43
For serious smokers	41	44	37	37	29	39	47
Refined taste	37	43	37	38	29	42	57
Prestigious	28	35	27	24	11	38	51
Masculine	28	29	23	23	30	28	29
For social smokers	28	29	27	34	25	26	35
Individualistic	24	24	23	26	22	34	33
Sophisticated	23	24	22	19	10	35	37
Casual	22	20	22	35	28	22	24
Innovative	11	19	11	12	11	15	16
Trendy	17	18	14	20	13	25	24
Sporty	14	12	14	16	13	13	25

☐ = 120+ Index vs. 12 Brand Average, ⬭ = 80 or Less Index
Source: Cigar Management Framework, Section 5, Q.1C

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To Create the Factbase, We Conducted a Large-Scale Quantitative Survey

Methodology Used

Cigar Segmentation Study Specifics

Sample:	. Male cigar smokers age 21-65 . 1,229 ending-sample with national representation . 268 ending-sample over quota to get a readable sample of key premium brands
Survey Design:	16-page legal-sized questionnaire; mailed to households
Approach:	Screened 200,000 households to identity cigar smokers and General Cigar brand users prior to mailing
Supplier:	NFO Research
Field Dates:	August 21 – September 21, 1998

- Mail panel surveys offer several advantages over other research methods
  - Enable large sample sizes in a cost-efficient manner
  - Provide superior national projectability
  - Allow for longer questionnaires to understand respondents better
- Mail panels have been proven to yield statistically similar results to other quantitative research methods

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC. and CULBRO CORP. Respondents.	:	Cancellation No. 92025859

PARTY OFFERING: PETITIONER

DESIGNATION in 97 Civ. 8399 (RWS), United States District Court, Southern District of New York, *Empresa Cubana de Tabaco d.b.a. Cubatabaco v. Culbro Corp. and General Cigar Co., Inc.*):

Plaintiff Cubatabaco's Trial Exhibit PX0187

1998

1997 BUSINESS REVIEW

February 6, 1998

CONFIDENTIAL:
UNDER PROTECTIVE ORDER
GC 021205

PREMIUM CIGARS

General Cigar Co.
1998 Business Review

Premium Brands

Feb. 4 1998
Rev. April 3, 1998

I. Premium Cigar Category Observations

Market

- The market continues to grow however the rate of growth has moderated. Large cigar imports for 1997 are expected to total 530.4MM based on CAA Class H data. The rate of growth in 1997 averaged 76% however it moderated in the last two quarters to 66% and 62% respectively. Large premium cigar imports according to TMA is calculated at 515.2MM for 1997. The difference is assumed to be product not entered into commerce. Actual consumption data is estimated to be 425MM cigars based on a synthesis of data cited by Bain, internal analysis and judgement of senior management.
- Production for GCC and major competitors is closing the demand gap, however tobacco availability will continue as a constraint for all major manufacturers at least till the end of 1998 according to Alphonse Mayer.
- The Dominican Republic still dominates the market with more than 50% of the total. Imports by leading country grew in units for all countries. Nicaragua and the D.R. showed growth in share of total market, while Honduras and Mexico declined marginally.
- It is believed that premium consumption has not kept pace with growth in imports, especially in the last half of the year. Inferior product and disappointed consumers left retailers with larger inventory. The net effect being that while there may supply may be catching up to demand in total, it is not in the right assortment...established brands are still in short supply.

Pricing

- Price increases during 1997 were taken by all producers of approx. 6-8%. Consolidated took two increases, one in January of approx. 10% and one in September of approx. 6%. Dunhill just took a 6.5% increase in Feb. 1998.
- Pricing's relationship to quality was obfuscated by opportunistic distribution and quick profit taking by start-up companies with inferior product.

- Research indicates that consumers began to show more general resistance to rising prices.
  - Manifested in fewer cigars per week among newer smokers
  - Retreat to bundles and lower priced product by some older smokers.
  - Greater movement to two grades of cigars: "everyday" and "special".
- Macanudo and Partagas pricing including Vintage and Limited Reserve, is significantly higher than equivalent frontmarks of major competitors.

Competition

- The number of premium brands increased notably vs. 1996. Some were "opportunistic", poor quality, high priced product.
- As production of established brands is scaled up, opportunistic brands are increasingly being discounted and diverted. Many of these brands were made with poor blends and were not sufficiently aged when introduced at retail. Over time, quality of a few of these brands may improve. Most will flow out of the market at discounted prices. And while many will disappear in the shakeout, some will likely survive.

Market Share

- GCC base portfolio (excl. Villazon) brand share of large premium cigar imports totaled 9% of imports and 12% of consumption in 1997 vs. 12% of imports and consumption in 1996 while total GCC unit volume increased 40%.

Consumers:

The new (less than 2 years) premium smoker is different than the traditional smoker demographically, psychographically and behaviorally:

- They are more social, mobile and celebratory in their use of cigars. 59% of smokers use cigars to build camaraderie among business associates vs. 20-25% two years ago.
- 60% entered directly into the premium category vs. 28% of traditional smokers.
- New smokers are smoking fewer cigars (160/yr) vs. established smokers (220-250/yr).
- Newer smokers are younger--45% of all smokers under 2 years experience are under 30 years old.
- Numbers of smokers have increased from an estimated 687M in 1995 to approx. 4MM in 1997.
- Macanudo's relatively high price in today's context of consumers' search for a balance between quality, smoothness and affordable price may be changing the competitive set. This will have an impact on pricing strategy as well as other element of the marketing mix.

Retail Distribution

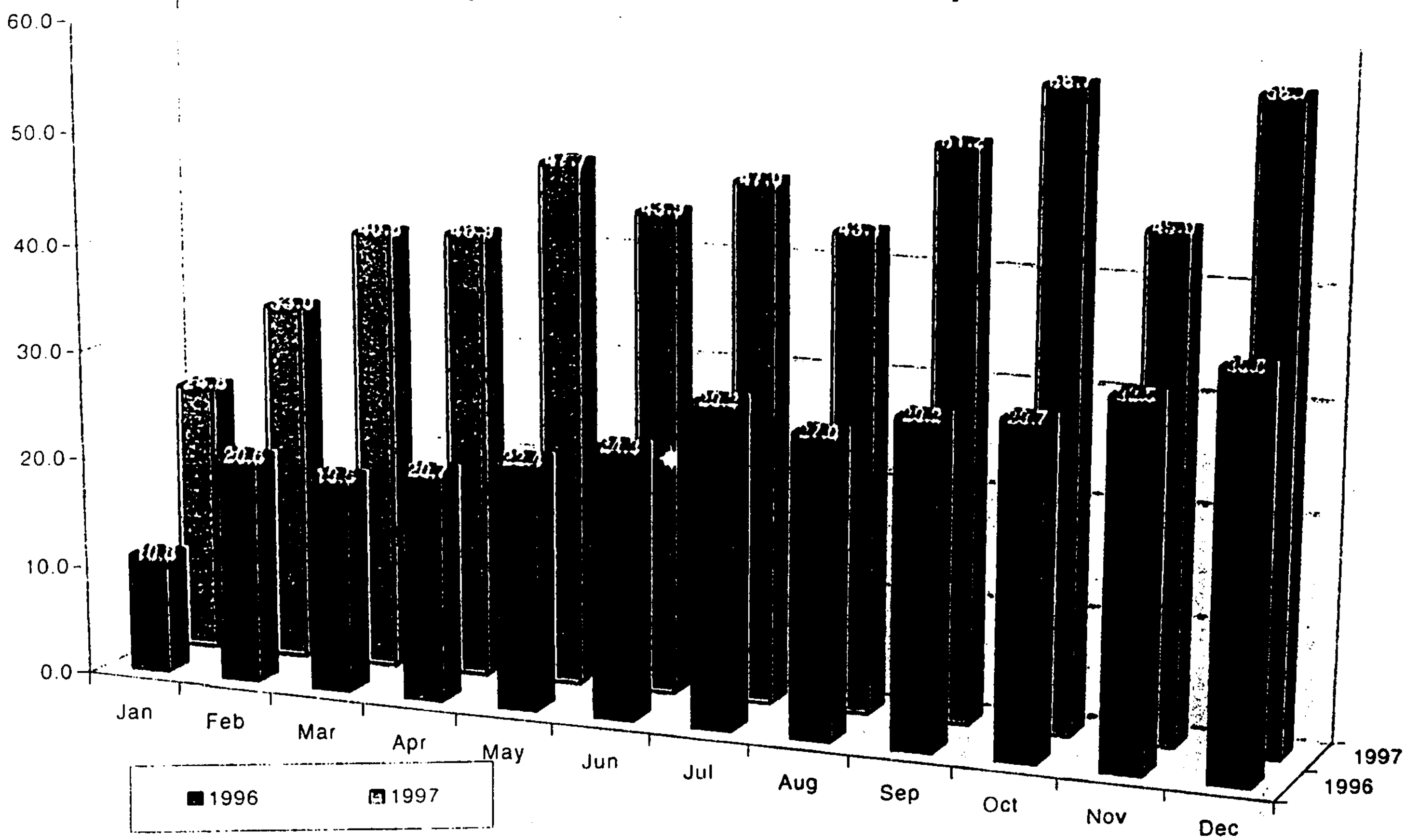
- There has been a significant increase in the number of retail smokeshops (estimated 3250 in 1995 to 4900 in 1997) and many of these offer an upscale environment in which to buy--and smoke--premium cigars. The majority of these new accounts do not have GCC direct distribution because of production limitations.
- At the same time, actual sales per retailer reportedly grew only slightly vs. 1996. Fourth quarter 1997 was reported to be flat by many established retailers, according to sales.
- There has been an expansion in non-traditional retail outlets, which now carry cigars including golf courses, restaurants, cigar bars and others e.g. upscale department stores. GCC also is limited in distribution here due to supply limits.

- 1997 saw significant increase in distribution of premium cigars in mass channels, particularly convenience stores and chain drug stores. It is estimated that 15% of premium cigars reached the market through these channels.

Advertising and Promotion

- Ad spending for the category is increasing, however based on first three quarters of data, GCC share of voice is declining as Consolidated ramps up spending. Even with the Cohiba and Cifuentes launches in 4Q 1997, GCC spending increased only 20% for the year vs. Consolidated's 38% for the first three quarters.
- Spending for smaller brands is concentrated in category publications. GCC spending in Cigar Aficionado is disproportionately high as a % of total media (24% in 1977) vs. Consolidated (17%) and Davidoff (10%).
- Fuente growth in sales and quality perception has increased significantly with relatively little traditional media spending.
- Retail and consumer promotion spending has been focused on events and tie-ins during this period of limited supply. Exceptions are GCC Cigar of the Month programs and price discounting by direct mailers.

1996-1997 Premium Shipments



CAA 8-country total grossed up 10% to account for remaining countries of origin.

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II. Category volume and growth

- **The cigar industry continues to grow**

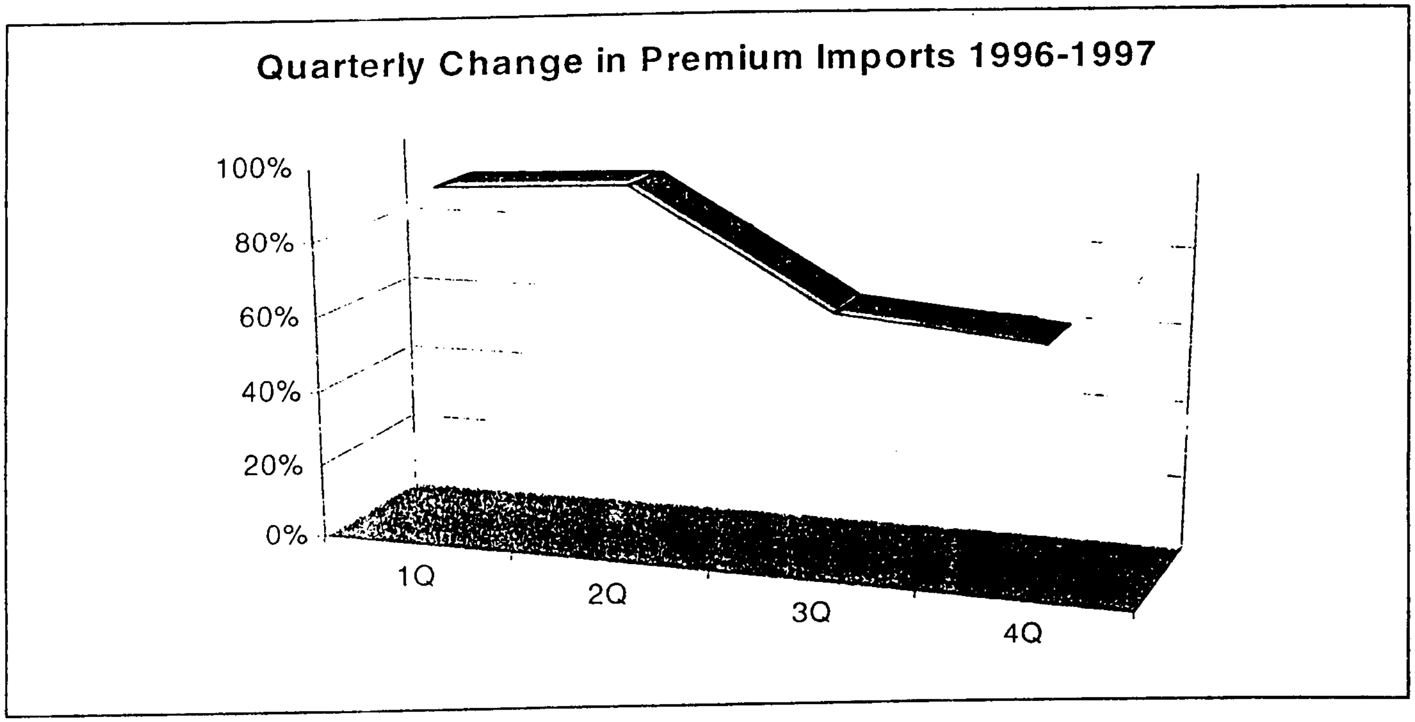
  - The industry D imports of 530.4MM large cigars in 1998, a 76% increase from 301MM in 1997 (CAA Import Export Reports Jan-Dec).
  - An August 1997 Merrill Lynch Capital Markets analyst report on Consolidated Cigar stated that *"The industry has at least 3-4 years of strong growth. Per capita consumption is still only 35% of the peak level reached in 1973 (184 large cigars per male)."*
  - While this may be true, simply looking at per capita consumption may misstate potential since there are now more smokers, smoking fewer cigars, at different prices, and buying them in different places than in the 1970s.

- **GCC volume increased, share declined**

  - Although volume increased 57% from 35.8MM units to 56.3MM, GCC overall share declined in 1997 to 9% from 12% in 1996.
  - In 1996 and 1997 there were a raft of new and opportunistic brands introduced at $6 and up.

- <u>The rate of growth is moderating</u>

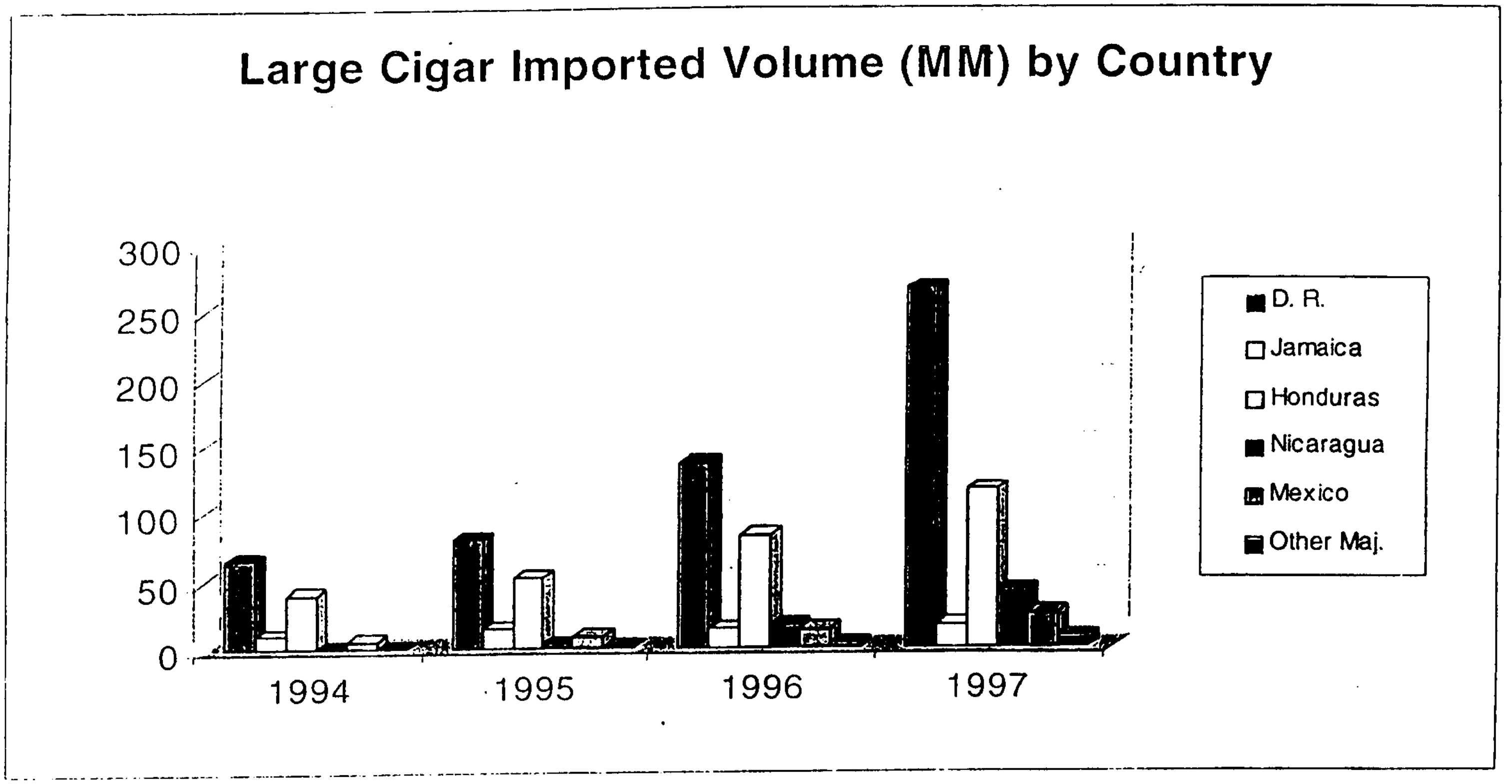
  - While imported premium cigars have shown a 76% growth rate for CY 1997, the growth rate has moderated from the dramatic increases shown in 1996 and early 1997 ending the last two quarters at 66% and 62% respectively.



Source: CAA Import-Export Report Dec 1997

Country of Origin

- While the Dominican Republic is still the dominant country of origin, there has been unit growth from all producing countries.



Source: CAA Export Import Report Dec. 1997

Class H Cigar Imported Volume (million units) in 1997 by Country					
Country	1994	1995	1996	1997	Share 1997
Dominican Republic	66.3	81.1	138.6	264.4	51%
Jamaica	10.9	15.3	15.5	18.1	3%
Honduras	40.8	53.5	83.7	117.4	22%
Nicaragua	0.6	3.5	18.0	43.5	8%
Mexico	6.5	9.7	14.5	26.2	5%
Other Majors	0.8	1.2	4.0	8.8	2%
Total Cigars Majors	**125.9**	**164.3**	**274.3**	**482.4**	
Total Incl. Minors: CR, Guat, Braz, Ven	**132.2**	**172.5**	**301.3**	**530.4**	

Source: CAA

*1997 estimate based on actual through Oct.

III. General Cigar Portfolio: Key Lessons Learned

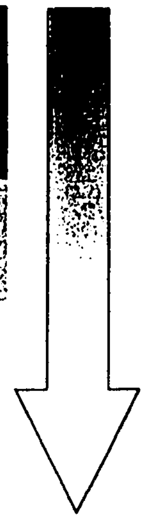
Macanudo brand image is strong but vulnerable

- Macanudo continues to rate high among premium cigar smokers.
  - It is the number one name mentioned in context of top-of-mind awareness and quality, however Fuente is now at a par with Macanudo in terms of consumer quality perception (A & U), and ahead of Macanudo in preferred taste (GCC consumer taste test, Dec. '97).
  - 64% of Macanudo smokers rate it "best brand ever smoked", while 53% of Fuente smokers rate Fuente best ever.
  - Fuente was named by surveyed tobacconists as "most requested cigar". While this may be a function of the supply limitations, it reinforces the fact that Fuente may have taken the lead in the category.

- Macanudo "perceived negatives" can have long-term effect on cachet and quality image.
  - Reputation for mildness has translated into "starter" cigar.
  - Social vs. Serious image of Macanudo may reduce trial by aspirational smokers who want to consider themselves "real" cigar smokers.
  - Pricing as well as lower rate of consumption of newer smokers 25-35 has driven down consumption. While Macanudo quality and consistency are assumed by consumers, they are looking for these qualities at a lower price. This appears to be widening our competitive set…instead of Ashton, Don Diego, Fuente and Upmann; we may be compared to lower priced Fuente and better bundles, but at a price disadvantage.

- Retailers use Cigar Aficionado ratings as the “bible” for cigar knowledge and recommendations. Cigar Aficionado bias toward stronger cigars is helping to erode Macanudo’s reputation among retailers and consequent initial and ongoing smokeshop recommendations.
- Contrary to consumer purchase behavior, Cigar Aficionado ratings consistently rank stronger cigars at higher scores than milder ones. Fuente products, which tend to have a bit more full flavor profile, generally receive higher scores than GCC cigars, particularly Macanudo.
- Tempering this is the fact that only 12% of premium cigar smokers rely most on Cigar Aficionado for brand choice.

Cigar Aficionado Descriptions	Score (Country)
[illegible]	[illegible]
[illegible]	[illegible]
Rich-tasting, depth	91 [illegible]
Full-bodied, earthy flavors	[illegible]
Rich, full-bodied, earthy finish	[illegible]
Complex, medium-bodied	[illegible]
Medium-bodied	88 (DR)
Earthy quality with smooth flavors	87 (DR)
Medium-bodied	87 (Hon)
Mild- to medium-bodied	86 (DR)
Sweet tobacco taste	85 (DR)
Mellow	85 (DR)
Mild	85 (DR)
Mild	85 (Jam)
Smooth, mellow	84 (DR)
Light, salty, mild	84 (DR)
Mild, easy smoking	83 (DR)
Light, sweet	81 (Hon)
Mild	80 (Nic)



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Retail presence is critical for reputation and leadership

- 58% of consumers use recommendations by tobacconists as a primary source of information and knowledge vs. 12% who report they read Cigar Aficionado regularly.
- Retailers use suggested experimentation and "trade-up" in taste strength as a way to build bond with consumer.
- Recent research is beginning to indicate that the retailer may be "commoditizing" the marketplace in order to provide consumers with cigars they like that they can afford.
- Supply limitations have allowed opportunistic brands to take up shelf space once occupied by established brands.
- Shelf space will likely be regained on a "first come, first served" basis by traditional manufacturers.
- Because of limited production, we have restricted distribution expansion of GCC brands. The emergence of many new smokeshops and smoke-them-where-you-buy-them venues such as golf courses and restaurants has resulted in a relative reduction in our share of retail availability and trials by entry level smokers.

Fuente and Consolidated Brands are Macanudo's major competitors

- Macanudo is the # 1 brand in volume, awareness and consumer popularity.
- Fuente has effectively usurped Macanudo's leadership position in the category based on quality ratings (A & U) and consumer requests.
- Fuente attracts a higher percentage of smokers under 35.
- Fuente has a strong PR presence with retailer and a quality/craftsmanship position among interested consumers.
- Advertising spending by Consolidated increased significantly in the first three quarters of 1997, eroding GCC share of voice leadership.
- According to sales, Consolidated is closer to having production catch up with demand, and offers a good price/value relationship to consumers.

Partagas

- Awareness levels are comparable to Fuente and H. Upmann.
- Partagas is outspent in media by Don Diego (1st 3Q data), and is outspending H. Upmann and Davidoff.
- Continued demand is estimated to be more than double production capacity.
- Consumer feedback from ad creative research indicates that Ramon stands for doing things "the old ways."

Cohiba

- Launch generated significant early publicity.
- Retailer demand was extremely high.
- Confusion level continues to exist in the marketplace due to the legal/counterfeit issues during the launch.
- Decision to limit availability to TPP appears to be the correct one. Distribution will be expanded as we expand TPP.

Cifuentes

- Launch was successful from a TPP retailer standpoint however it highlighted the need to improve our new product development process.
- The process of determining distribution of new brands needs to be reviewed to be sure negative fall-out from excluded accounts is minimized and we are better able to control limited distribution plans.

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EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC. and CULBRO CORP. Respondents.	Cancellation No. 92025859

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DESIGNATION in 97 Civ. 8399 (RWS), United States District Court, Southern District of New York, *Empresa Cubana de Tabaco d.b.a. Cubatabaco v. Culbro Corp. and General Cigar Co., Inc.*):

Plaintiff Cubatabaco's Trial Exhibit PX0216

Cigar Association of America, Inc.

1100 17th St., N.W., Suite 504 Washington, D.C. 20036 (202) 223-8204 Fax: (202) 833-0379

May 23, 1989

MEMORANDUM

TO: CAA Board of Directors

FROM: Norman F. Sharp Norm

SUBJECT: Proposal for CAA Initiative Against Sales of Cuban Cigars in the U. S.

The Problem

An issue that has plagued the U. S. cigar industry since 1962 when the Cuban trade embargo became effective, is the illegal sale of Cuban cigars in this country -- by mail, in smokeshops, in restaurants, etc. Violations of the embargo are not only common, but increasingly flagrant.

Indeed, we pointed out to the U. S. Trade Representative late last year (see attached letter) that, as it pertains to cigars. the Cuban embargo is not being enforced effectively. As a result, the U. S. cigar industry is losing millions of dollars in sales annually.

Our letter prompted a quick response from the director of the Treasury Department's Office of Foreign Assets Control, which is in charge of overseeing the Cuban embargo. The director pledged his support. All he needs are specifics. And, as you know, this has traditionally been the cigar industry's stumbling block in addressing the problem.

Cuban cigars are coming into the U. S. through the mail, from Canada, Switzerland, the U. K., Hong Kong, etc. In addition, the mystique of the Cuban cigar has also given rise to the sale of counterfeit Cuban cigars. Last year U. S. Customs agents confronted a Mr. Loeb of Zelco Company in Scarsdale, New York, who was selling what he purported to be authentic Monte Cristos and H. Upmanns. Loeb told the agents that the cigars in fact were not Cuban. This was confirmed by Customs which is now thinking of charging him with counterfeiting foreign revenue stamps.

A store in the Chicago area openly displays Cuban cigars which are obviously phony while, in the city itself, authentic Cuban cigars are sold off a truck. In addition, various tobacconists openly or not so openly display and sell Cuban cigars.

CAA
EXHIBIT NO. 24
4.26.01
M. Feldman

PLAINTIFF'S EXHIBIT 216

Recommended Action

Our options are to continue to tolerate this situation or to take action as an industry. I propose for your consideration the following course of action:

1.) Using Porter/Novelli, the Retail Tobacco Dealers of America (RTDA), the Tobacconists Association of America (TAA) and the salespeople in your company, we will put out the word to the trade, the trade press and the national wire services that:

- selling Cuban cigars in the U. S. is illegal,

- that the Cuban embargo is not effective with regard to cigars, and this is hurting legitimate U. S. businesses,

- that many cigars being sold in the country which are purported to be Cuban cigars are in fact counterfeit,

- that the quality of Cuban cigars is no longer reliable and that many other cigar brands offered for sale in the U. S. are comparable if not superior to Cuban cigars, and

- that the U. S. cigar industry -- through its national trade association -- has launched a major effort to identify those individuals and firms who are engaged in the illegal importation and sale of Cuban cigars in the U. S.

2. The CAA will be the focal point for obtaining information on a confidential basis on illegal sales of Cuban cigars and in turn passing it on to the Office of Foreign Assets Control and/or U. S. Customs Service. <u>This part of the effort would begin on a delayed basis -- to give enough time for fair warning to be given via step #1 above.</u>

Please use the attached response form to notify us by June 9 of your approval/disapproval of this program and to convey your comments and/or suggestions. If this program is to be effective, it needs your support and commitment.

Attach.
NFS/mal

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Plaintiff Cubatabaco's Trial Exhibit PX0259

BAIN-MPP Retail Program

<u>Client Confidentiality Agreement</u>

Bain acknowledges that in the course of performing services for client, it will have access to Confidential Information (defined below) of client, and Bain agrees that neither it nor any of its employees or agents will at any time, during or after the performance of such services, disclose any such Confidential Information, unless Bain first obtains the written consent of client or unless required by law or the lawful order of a court or governmental agency.

"Confidential Information" means any and all tangible and intangible information, other than information which may be known to Bain or any of its employees or agents prior to disclosure to Bain by client and other than information which may at any time become available to the general public without fault of Bain or lawfully available from any third party, relating to the management, operations, finances, and products or services of client and its affiliates, including but not limited to financial data, computer programs and systems, plans, projections, existing and proposed and contemplated projects or investments, formulae, processes, methods, products, manuals, supplier lists, customer lists, purchase and sales records, territories, marketing information, contracts, correspondence and similar or dissimilar information relating to the business of client, whether developed by client or provided to it by others.

With respect to the Confidential Information, Bain will:

1. advise its employees, agents, and subcontractors with access to the Confidential Information of its confidentiality;

2. restrict disclosure of Confidential Information to its employees, agents and subcontractors who need to know it in order to perform the services;

3. require its employees, agents, and subcontractors to use a degree of care appropriate for the protection of the Confidential Information, but in any event not less than reasonable care;

4. use the Confidential Information only for the purposes for which it was provided;

5. upon request of client and in any event upon termination of Bain's services, promptly deliver to client any and all physical records containing Confidential Information, irrespective of whether they were supplied to or prepared by Bain, which are in Bain's possession or control, except Bain may retain a copy of all reports and presentations developed for client for archival and training purposes which may be released only with the permission of either Vijay Vishwanath or David Harding.

Bain shall not acquire any proprietary rights to any Confidential Information.

For a period of two years after termination of Bain's services, Vijay Vishwanath, David Harding and any employee of Bain who devotes substantial time and effort to the services rendered to client are prohibited from providing consulting services to any company whose primary emphasis is cigar manufacturer, distributor or retailer. This prohibition is in addition to, and not in limitation of, the other terms of this Client Confidentiality Agreement. By their signatures below Vijay Vishwanath and David Harding individually agree during such period not to consult with, or become employed by, any such company.

BY: BAIN & COMPANY, INC.

______________________, Vice President

DATE: 1-8-98

BY: BAIN & COMPANY, INC.

______________________, Vice President

DATE: 1-8-98

Bain taxpayer I.D. 04-2878322
LOCATION: Boston, Massachusetts

AGREED TO BY:

A Kossuth Allen
Secretary,

DATE: Jan 12, 1998

Vijay Vishwanath

David Harding

13th

– Sen Torricelli

CONFIDENTIAL

BAIN & COMPANY

General Cigar

Sustainable Growth Strategy
Board of Directors Presentation
June 15, 1998

Project Objectives

- Develop a market model that describes probable market evolution and the strategic implications
- Devise a robust strategy that enables General Cigar to sustain its revenue and earnings growth regardless of a market slow down
- Create an actionable implementation roadmap over the next 2-3 years

Premium Cigar Summary (Situation/Implications)

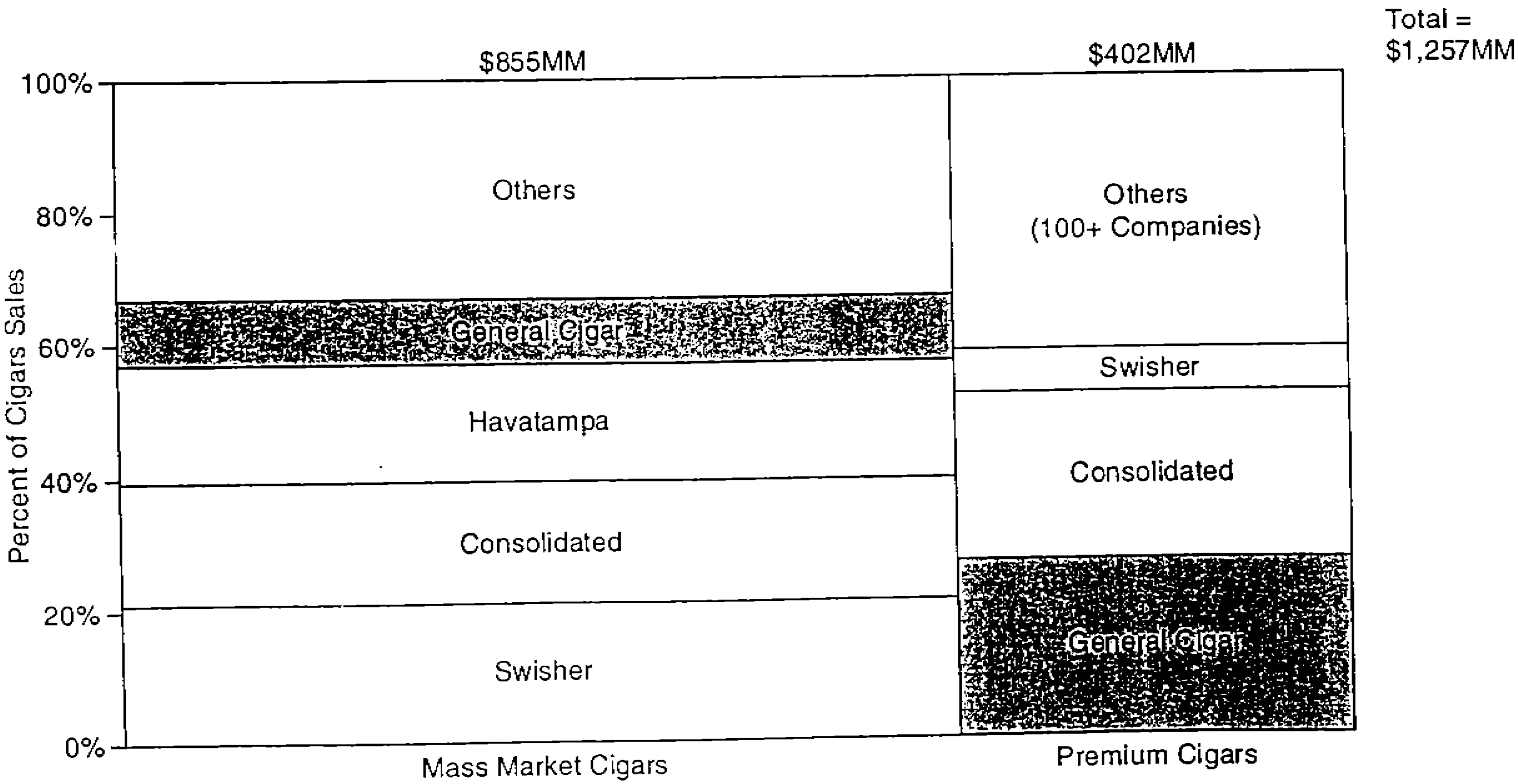
Situation:

- Market growth in premium cigars has and will continue to slow due to dramatically fewer new consumers entering the category; likely growth scenarios CAGR (1997-02):
- The first phase of the industry shakeout has started with large tobacconists delisting second tier brands (and rebalancing frontmarks of leading brands)
- Growing caution exists amongst tobacconists, distributors and manufacturers as to future growth prospects for the category

Implication/ Opportunity:

- Short term General Cigar has an immediate opportunity to seize greater than fair share of liberated retailer shelf space, in-store locations and retailer recommendations via a new trade program
- Additionally General Cigar should advertise/market to create high prepurchase intent especially amongst new consumers while increasing retention amongst the high consumption smokers

Cigar Industry Structure (1997)



	Mass Market Cigars	Premium Cigars
Average Price	$ 0.27	$ 1.15
Number of Units	3,100 MM	350 MM

BAIN & COMPANY

Source: Company 10 K Reports; Analyst Reports; Bain Analysis

BOS GC3042798EZA 2

Premium Market

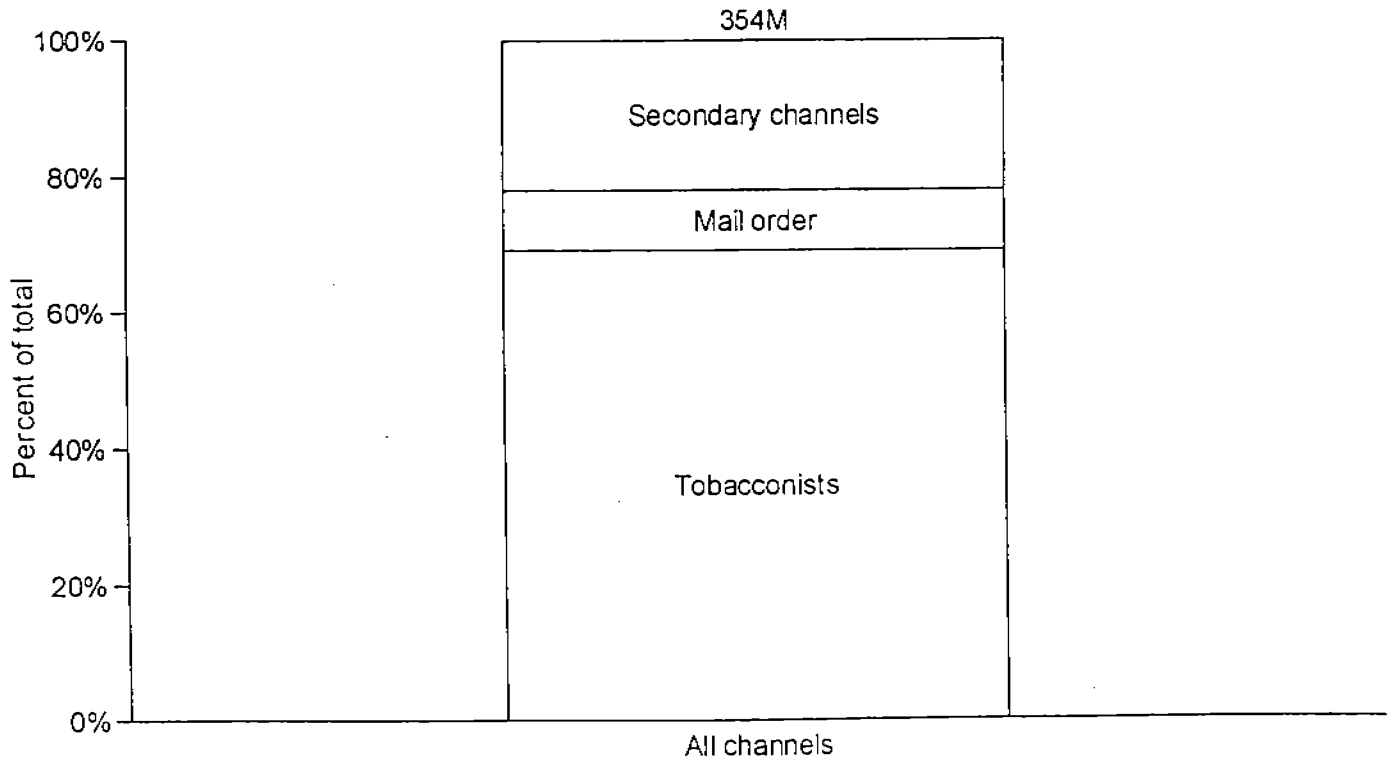
- How can General Cigar win undisputed market leadership?

Mass Market

- What's the best strategy given General Cigar's market position?

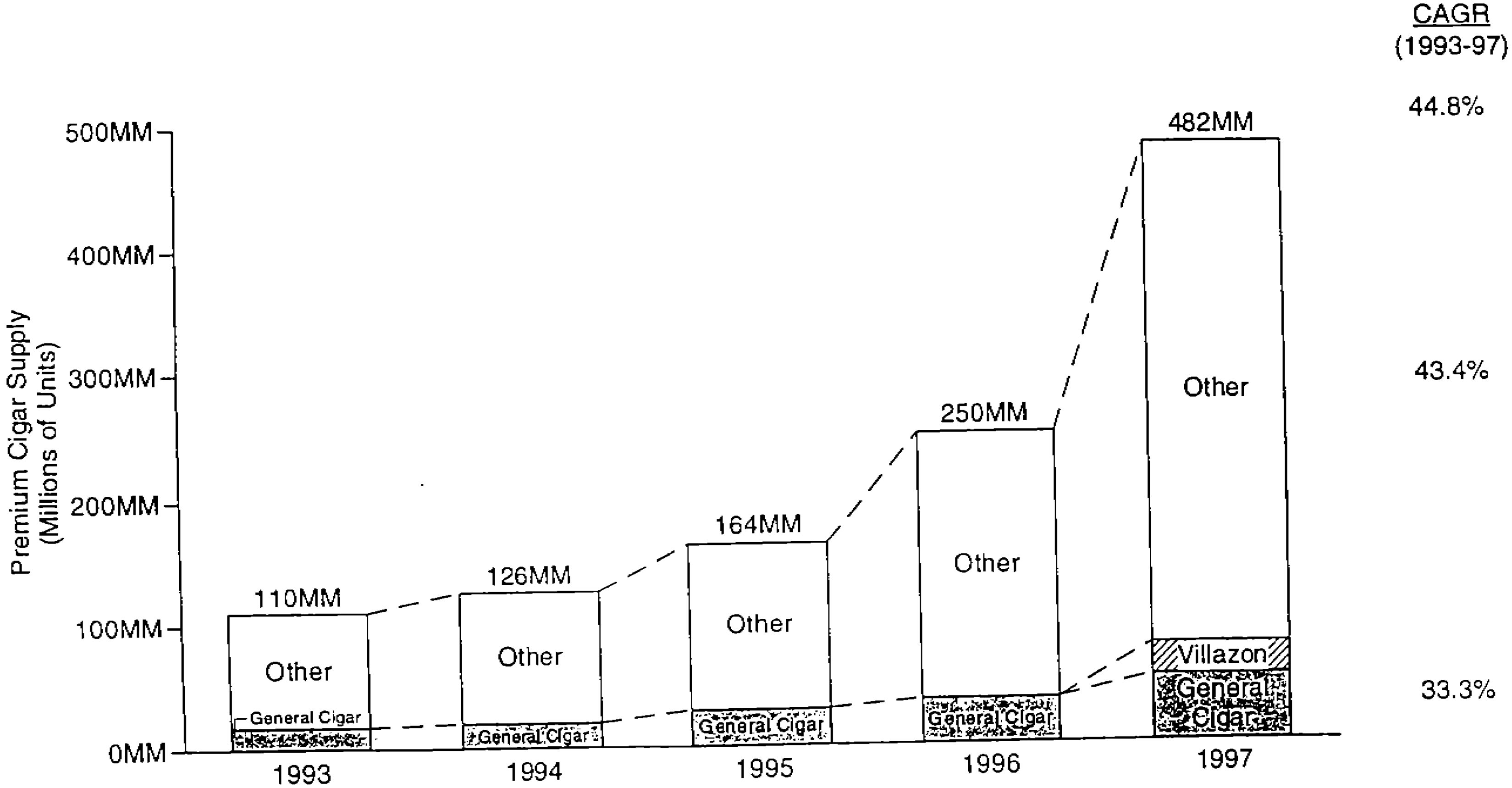
Premium Cigar Distribution Channels (1997)

The majority of premium cigars are sold through tobacconists.



Source: CAA; Tobacconist Surveys; Bain Interviews; Bain Cigar Retailer Survey 4/98; Literature Search; Bain Analysis

Premium Share Position (1993-97)



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Note: Villazon share based on General Cigar estimates.
Source: CAA Survey of Manufacturers; Wheat First Butcher Singer; General Cigar Market & Consumer Research, 1997; General Cigar Sales Database; Bain Analysis

BOS GC3042798EZA 3

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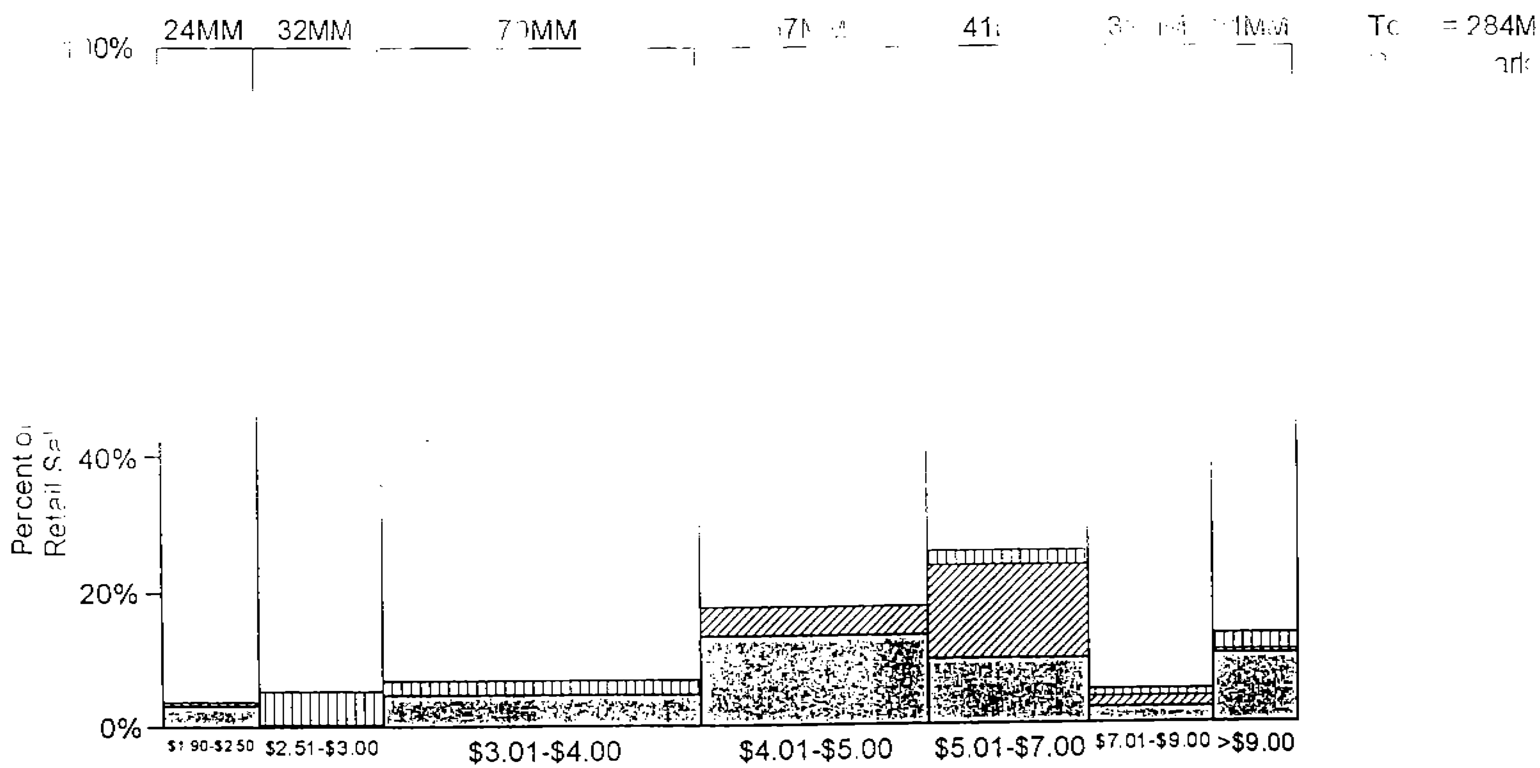
GC 020600

General Market Share by Price Point (1997 Overall Estimate)

General Cigar has considerable room to capture share within each price point.



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Note: Excludes miniatures. 1997 MSRP

Source: CAA Survey by Price Point, 1996; Distributor Interviews (n=12); Retailer Interviews (Top 14); Cataloger Interviews, (n=2); General Cigar Consumer Research; Tobacconist Survey (n=74); Dothan Database

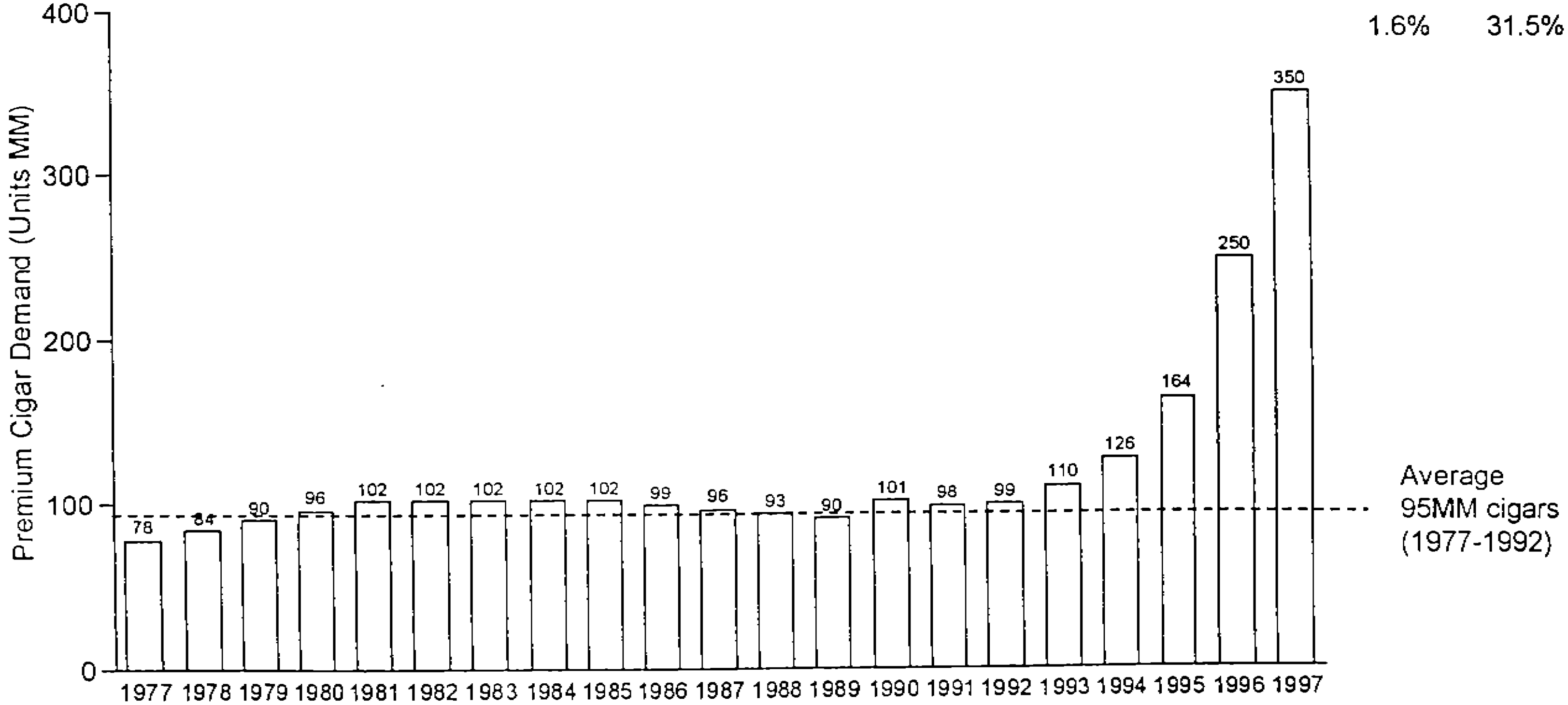
Premium Cigar Demand (1977-1997E)

Premium cigar consumption was flat from 1977 to 1992 then grew rapidly.

Imports 530

CAGR

'77-'92	'92-'97
1.6%	31.5%



Growth % 11.1% 14.5% 30.2% 52.4% 40.0%

BAIN & COMPANY

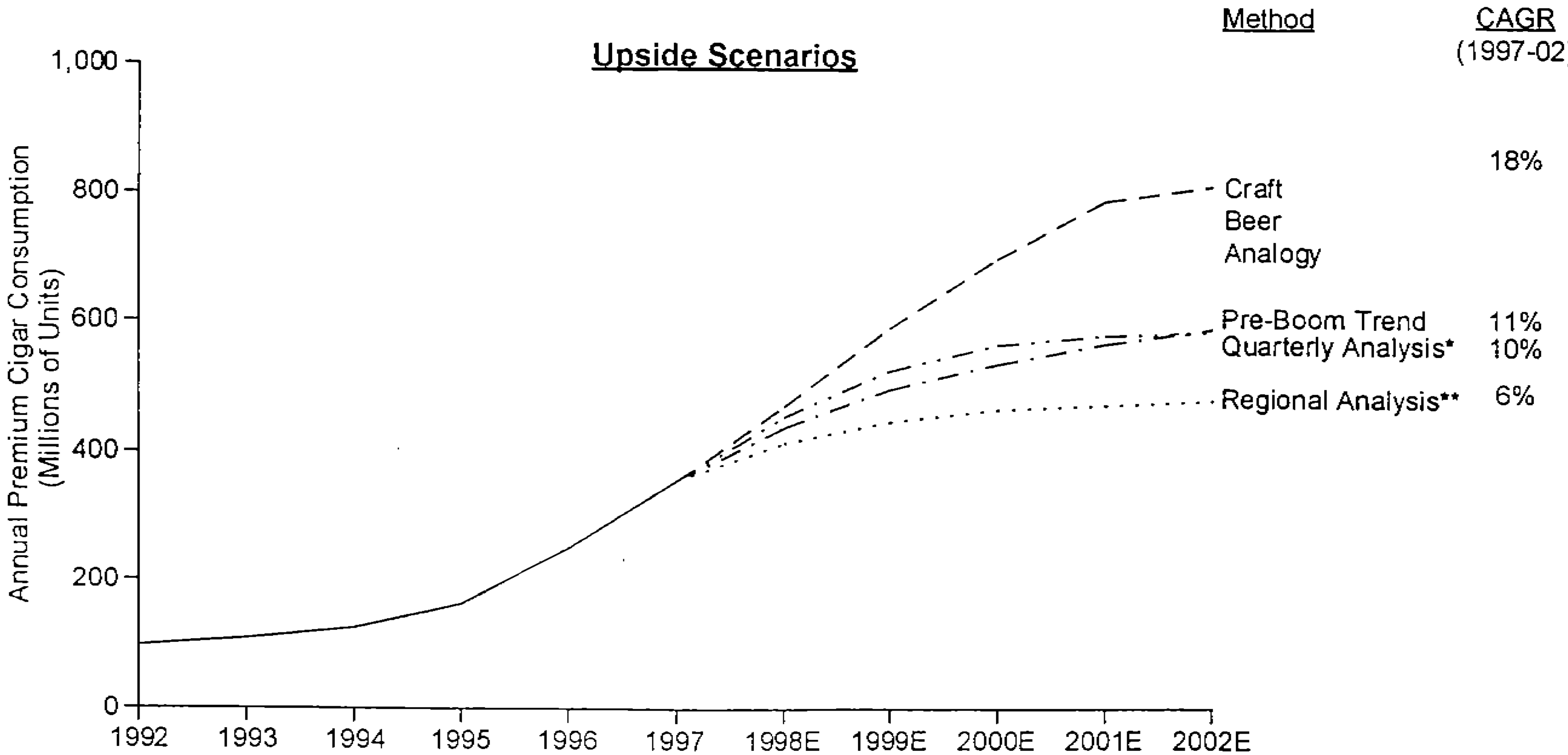
BOS GC3022398EZA 1

Note: Class H hand made cigars per CAA definition; Does not include little cigars; Demand in 1996-7 adjusted from total imports due to inventory build

Source: CAA; Analyst Reports

Forecast Annual Premium Cigar Demand (1992-2002E)

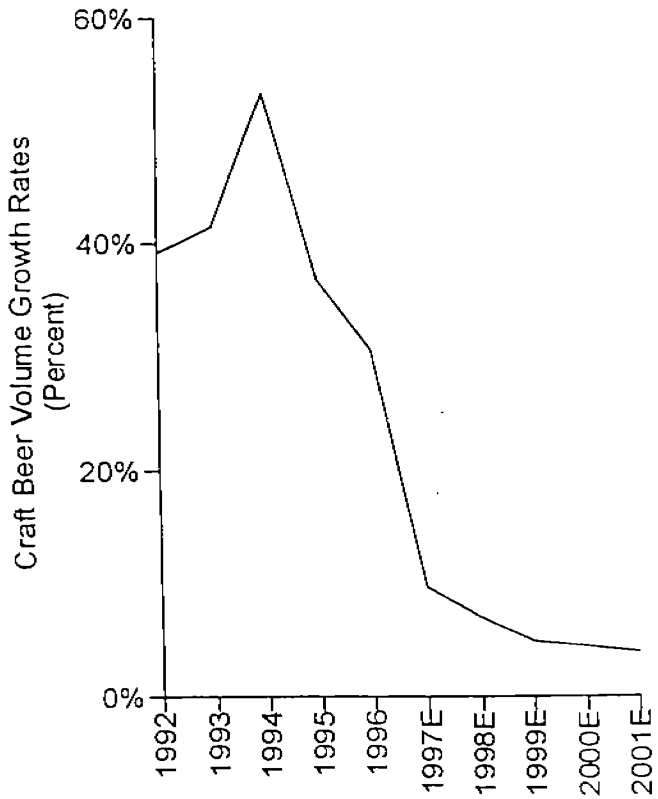
The market for premium cigars is likely to grow between 6-11% over the next 5 years.



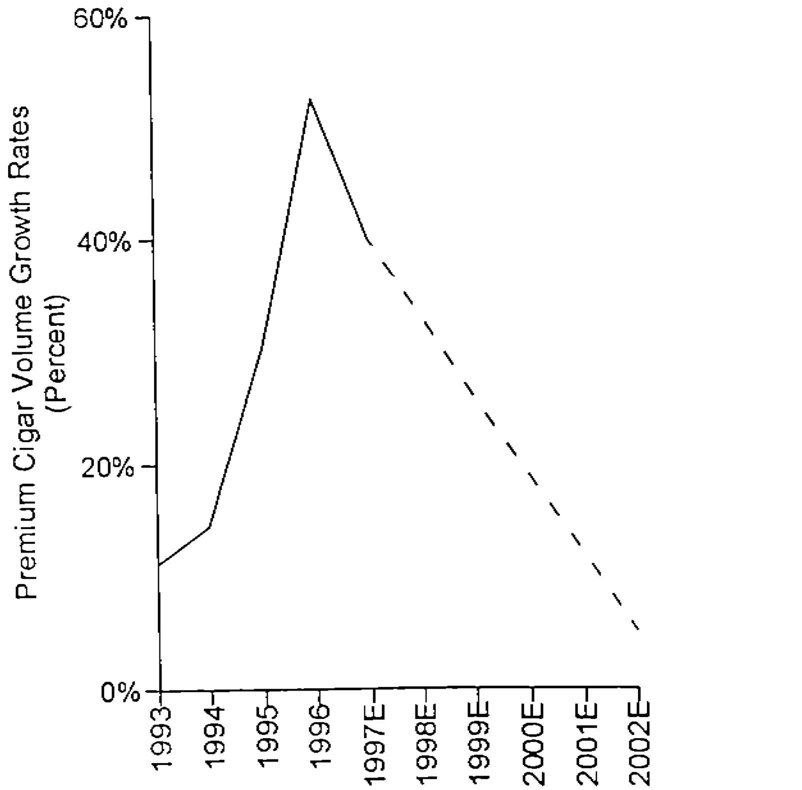
* Based on negative growth in imports, 3Q97 and 4Q97; acceleration based on growth rate, 1992-95
**Based on growth in Mid-Atlantic Region (New York, Pennsylvania, and New Jersey)
Source: General Cigar Consumer Research; CAA; Bain Cigar Market Model

Premium Cigar Market Growth Forecast (Craft Beer Analogy)

Craft Beer Unit Growth Per Annum



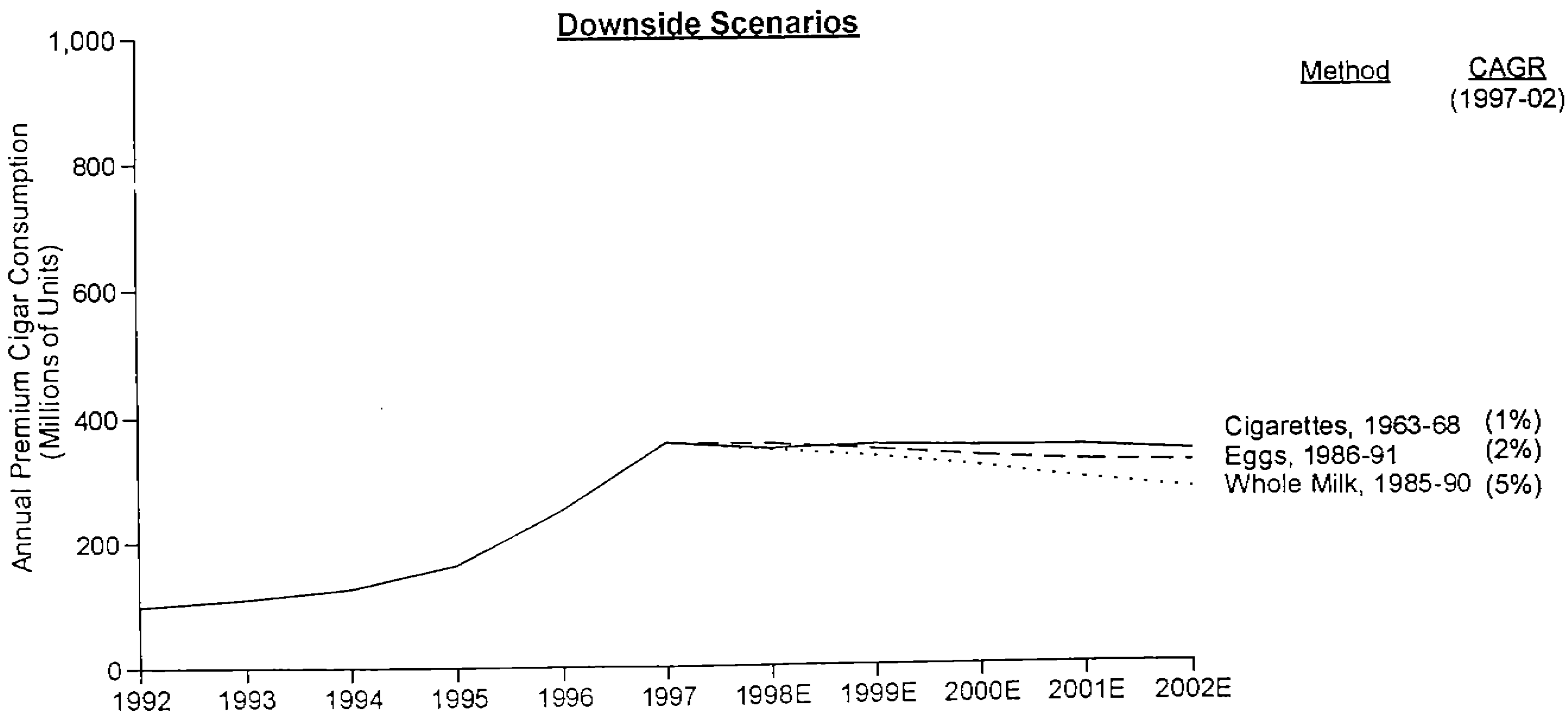
Premium Cigar Market Unit Consumption Growth Per Annum



Source: General Cigar Consumer Research; CAA; RS Weinberg of Associates; Impact; Nielsen IRI; Donaldson, Lufkin and Jenette; Bain Analysis

Forecast Annual Premium Cigar Demand (1992-2002E)

The growth could be negative if regulation and/or health warnings have a material effect.

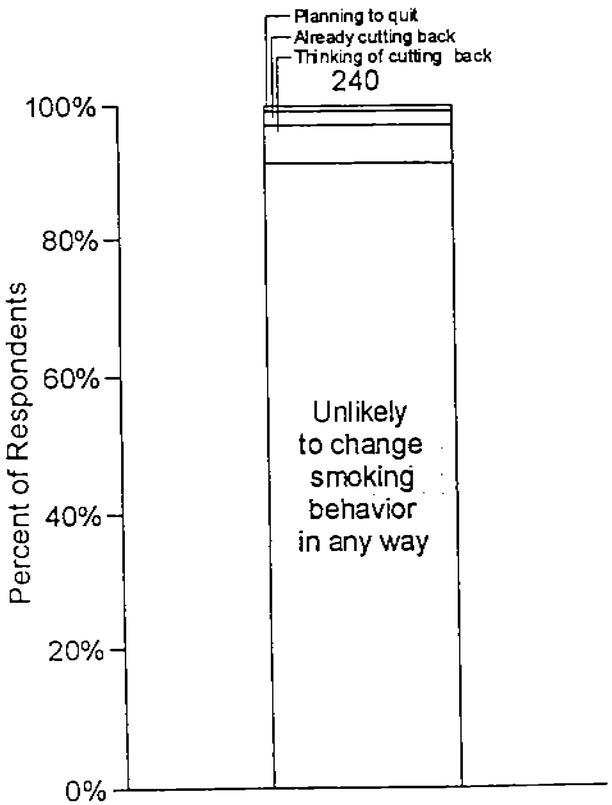


Source: General Cigar Consumer Research; CAA; Bain Cigar Market Model

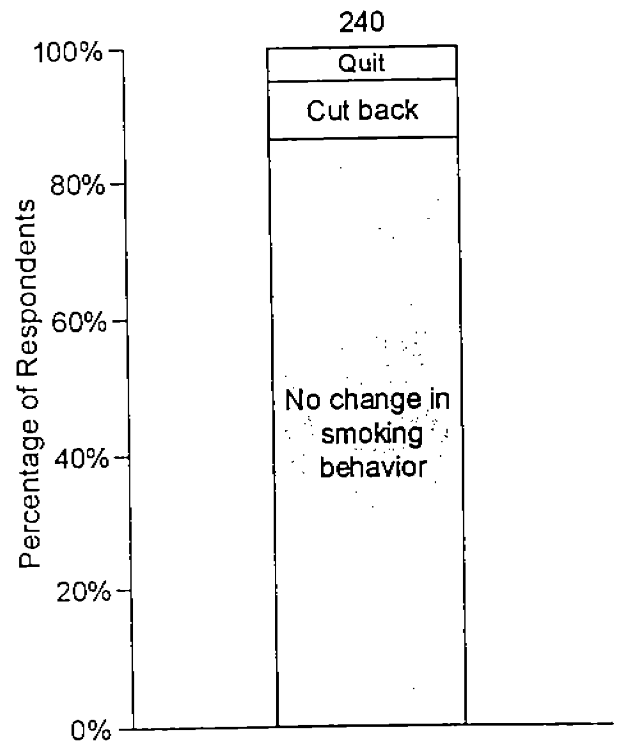
Market Growth

Cigar Publicity/Impact on Smoking

Q?: Which of the following describes how negative coverage has affected your thoughts about cigar smoking?



Q?: If your friends quit, what impact would it have on your smoking behavior?



Source: Bain Survey of Current Cigar Smokers 4/98 (N = 256)

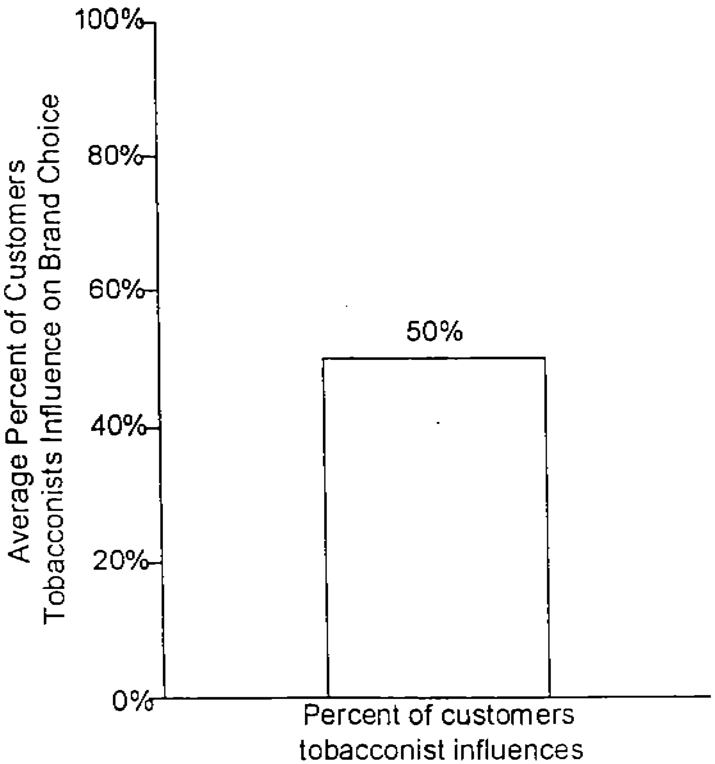
Premium Cigar Strategy

Win with the tobacconist	Build brand	Maximize distribution

Tobacconist Impact on Consumer Brand Choice

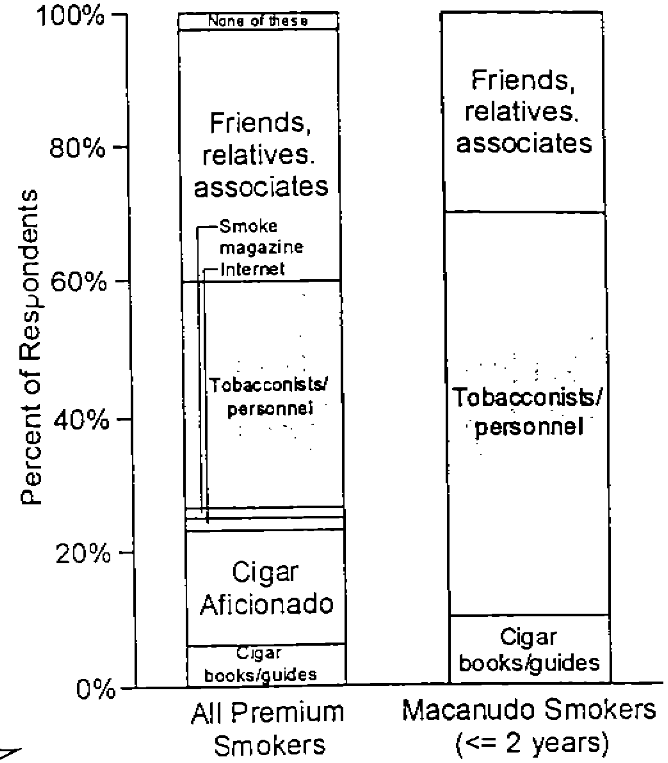
Tobacconists influence a large share of consumer premium cigar purchases at retail.

Tobacconists Survey



Consumer Survey

Q?: What is your primary source of information?



How can General Cigar influence the tobacconists?

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Source: Retailer Interviews, n=130; General Cigar Trade Interviews

Developing a New Trade Program

Current TPP program isn't value creating

- Program focused on providing product allocations
- Other elements of the program (e.g. Cigar of the Month) don't:
  - improve margins
  - increase store traffic

The basis of market competition doesn't favor the leaders

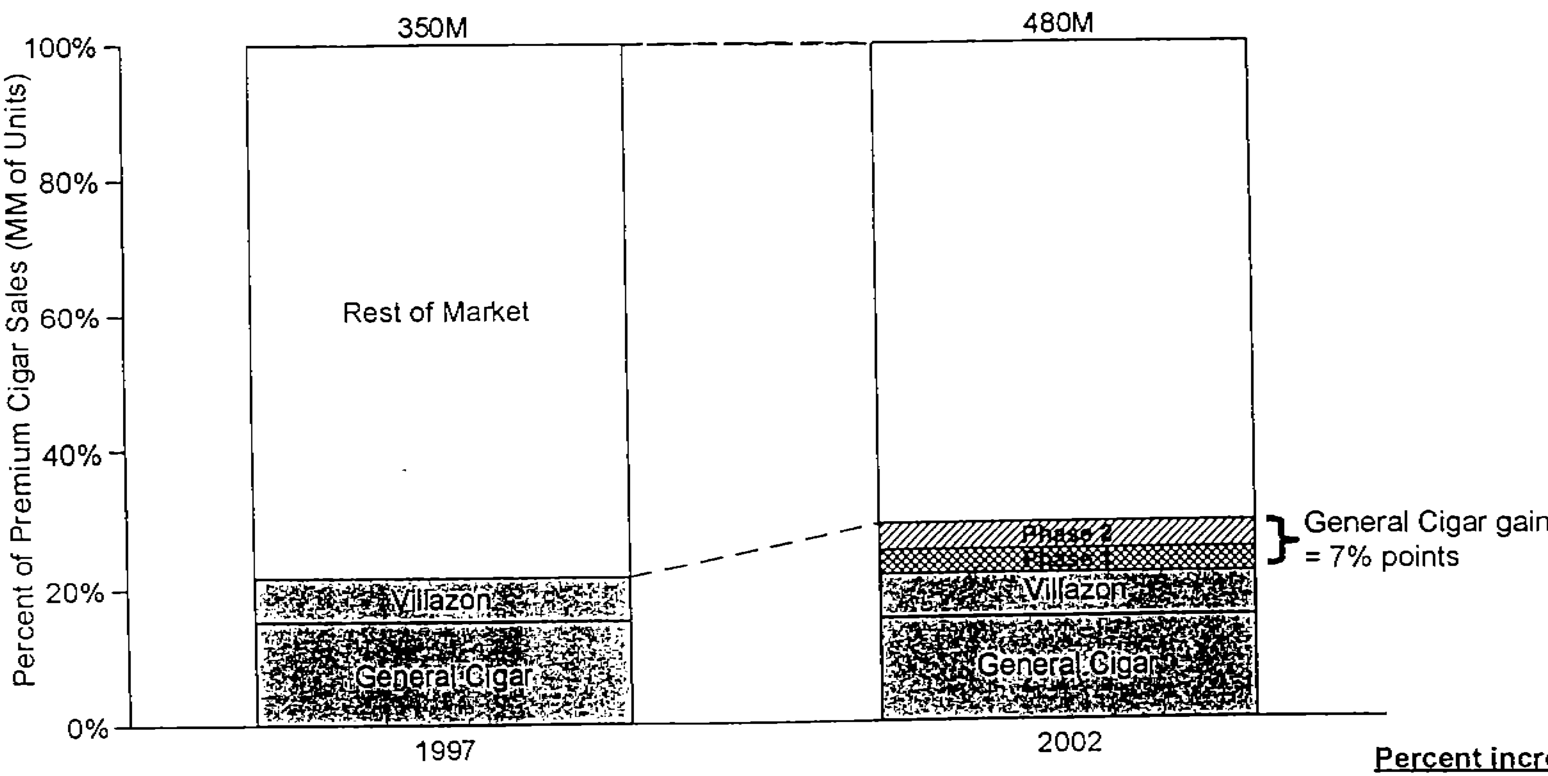
- All promotion is variable cost based:
  - 2 for 1
  - cents off
- Any competitor regardless of size can compete

General needs to alter the basis of competition

- New trade program must include non-variable cost based elements:
  - co-investment earn-out (e.g. store signage, computers, humidor upgrades)
  - large bonus payment incentives that are earned only for hitting a specific growth/share target

Share Growth

General Cigar Potential Target Share (MPP Partners Program)



Total:	1997	2002	Percent increase
• General Cigar	53M	108M	104%
• Villazon	24M	32M	36%

Note: Assumes General Cigar share of Premium market constant without MTP program; Assumes program begins 1999; General Cigar totals do not include Villazon sales

Source: Bain Consumer Model; Bain Telephone Interviews; Bain Analysis

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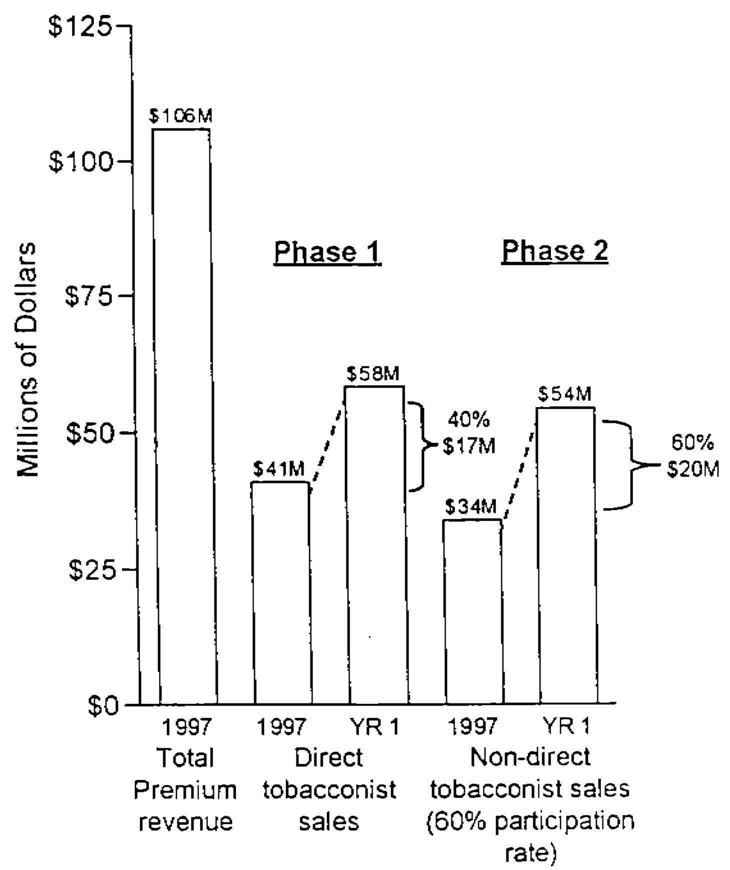
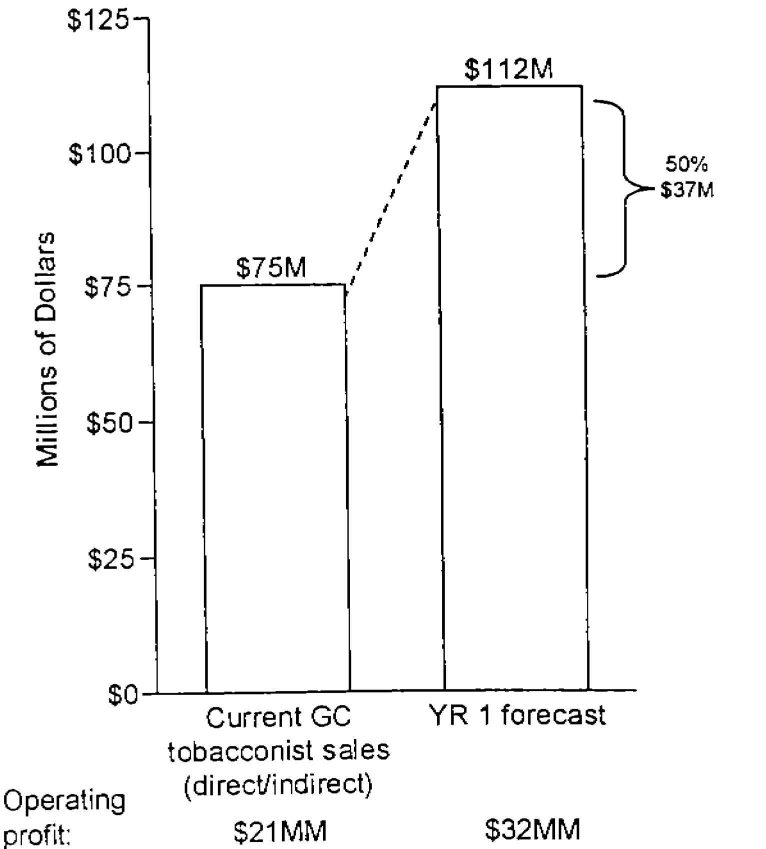
Overall Program Economics (Year 1 impact)

The MPP program can yield significant revenue growth in tobacconists sales.





Note: Includes tobacconist market growth, Dothan Database
Source: Bain Analysis

Program Structure

General Cigar MPP Partners

Preferred	***Elite***	***Premier***
• Entry-level	• Mid-sized retailer	• Most important retailers

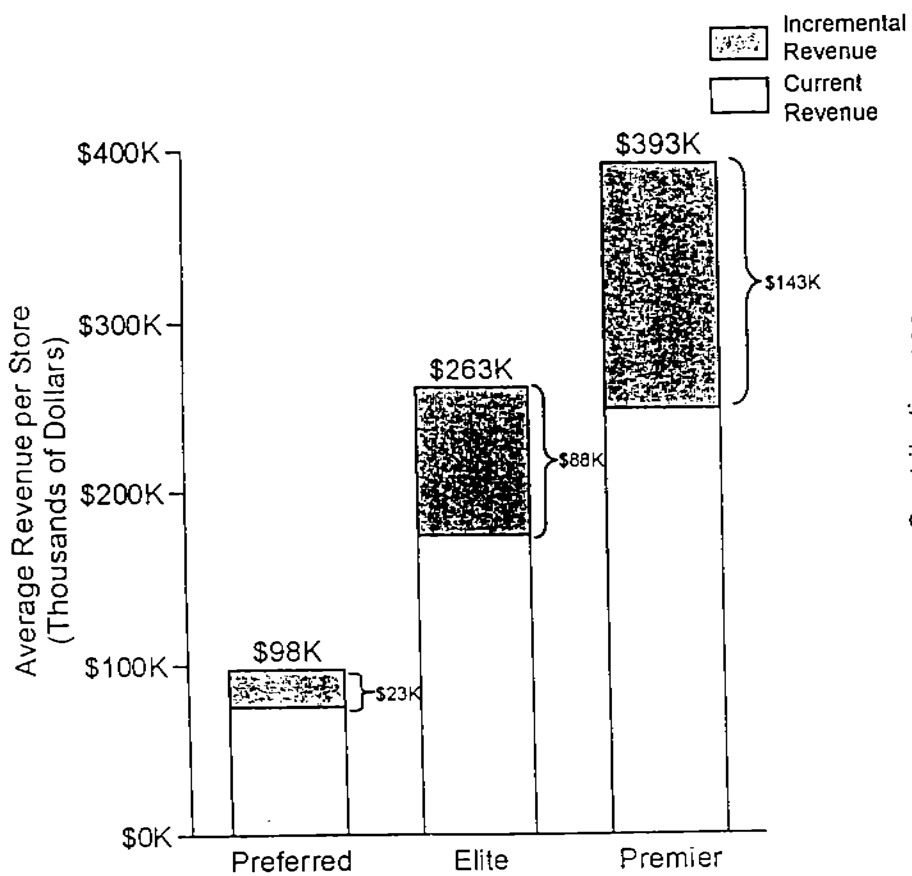
- A two phased roll-out is envisioned:
  - Phase 1: tobacconists who receive direct shipments
  - Phase 2: tobacconists who source through distributors

Tiered Program Descriptions

	Preferred	Elite	Premier
Requirements:	• Adhere to product placement/ merchandising programs • Maintain GC purchases	• Same as Preferred, and. . . • Share of shelf greater than share of sales	• Same as Elite, and. . . • Shared access to sell-through data from co-investment in inventory systems
GC Offering:	• Co-op advertising funds/ materials • Holiday promotion programs • Co-investment in store upgrade (e.g. signage)	• Same as Preferred, and. . . • Provide opportunity to serve as distributor for on-premise accounts • Co-investment in store upgrade (e.g. check-out system, humidor upgrade)	• Same as Elite, and. . . • Co-investment in sales/inventory/customer information system
Incentive programs:	• Year end bonus payment of 15% for >30% increase in General Cigar purchases	• Year end bonus payment of 17.5% for 50% increase in General Cigar purchases	• Year end bonus payment of 20% for 55% share of store sales

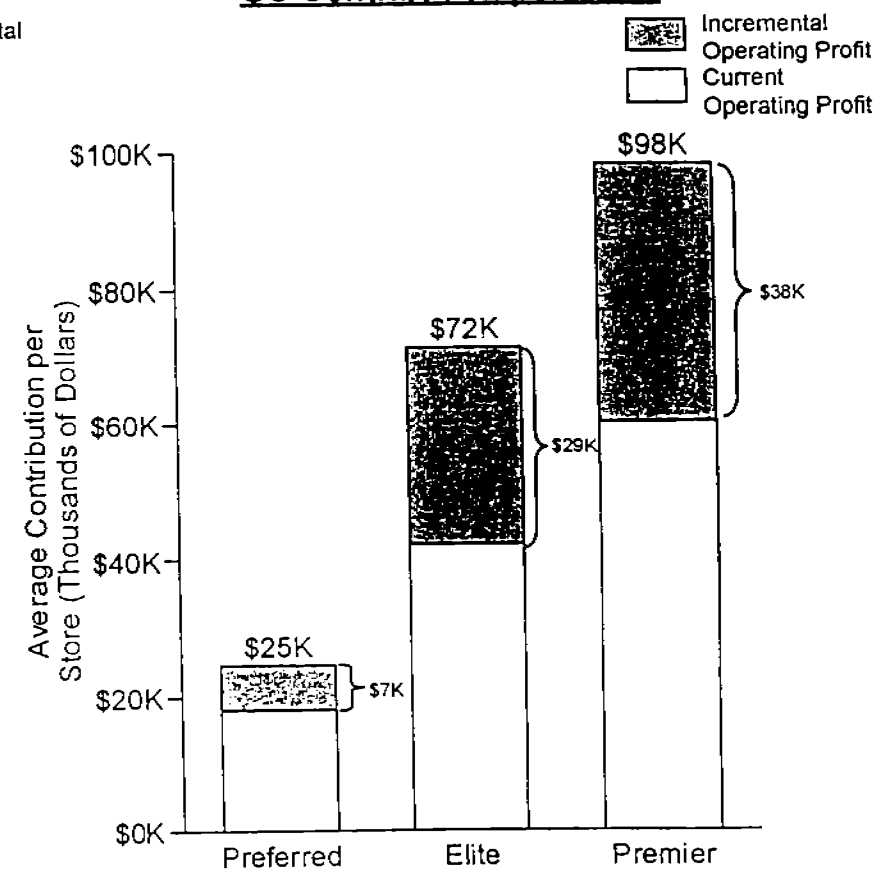
Store Economics for General Cigar Brands (Per Store)

GC Revenue per Store



Average store size (wholesale sales):	$250K	$580K	$715K

GC Contribution per Store



Potential payment to store:	$3K	$13K	$29K

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Note: Assumes GC sales to store increase 30% for Preferred, 50% for Elite; share increases from 35% to 55% of store for Premier. Excludes market growth. Contribution net payment to store, co-op & equipment costs.
Source: Retailer Interviews, Dothan Database, Bain Analysis

Winning the Tobacconist (Summary)

Program objectives:

- Create a strong win-win partnership with the tobacconist - the key influence on consumers
- Erect competitive hurdles that disproportionately reward General Cigar for being market leader
- Afford General Cigar influence and visibility at the point of sale
- Focus the field salesforce on a specific mission

Current status:

- Premium sales and marketing organizations are refining program design
- In-field test of alternative merchandising programs underway
- Preparing to review program design with customer advisory board

Premium Cigar Strategy

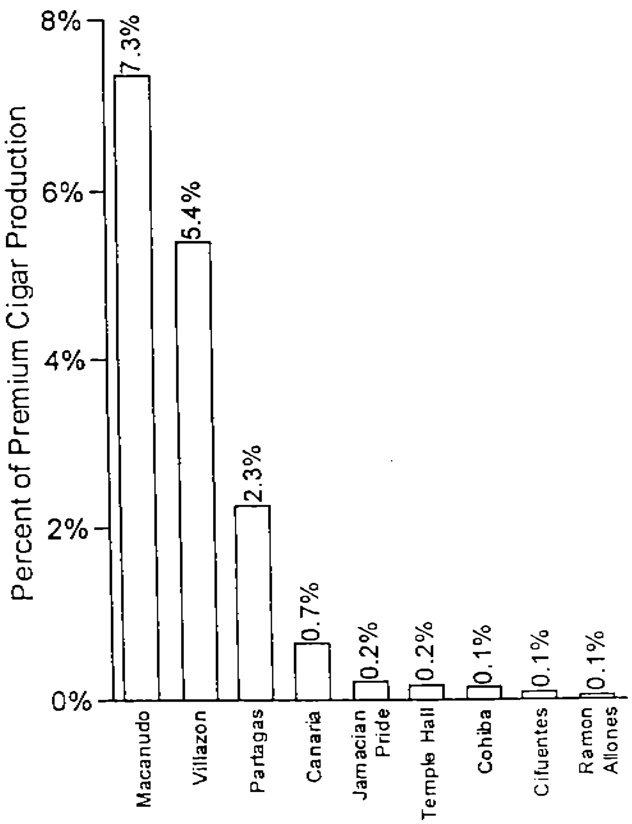
- Win with the tobacconist
- Build brand
- Maximize distribution

General Cigar should focus and intensity its brand building.

- Spending today is spread across multiple large and small brands
- Spending on the core brands is below a threshold level to have material impact with cigar smokers given
  - industry comparisons
  - smoker awareness data
- The advertising campaigns haven't established clear, compelling positioning with smokers
- Building the core brands (Macanudo, Partagas, Cohiba, Punch, Hoyo de Monterrey) is critical to driving General Cigar to market leadership

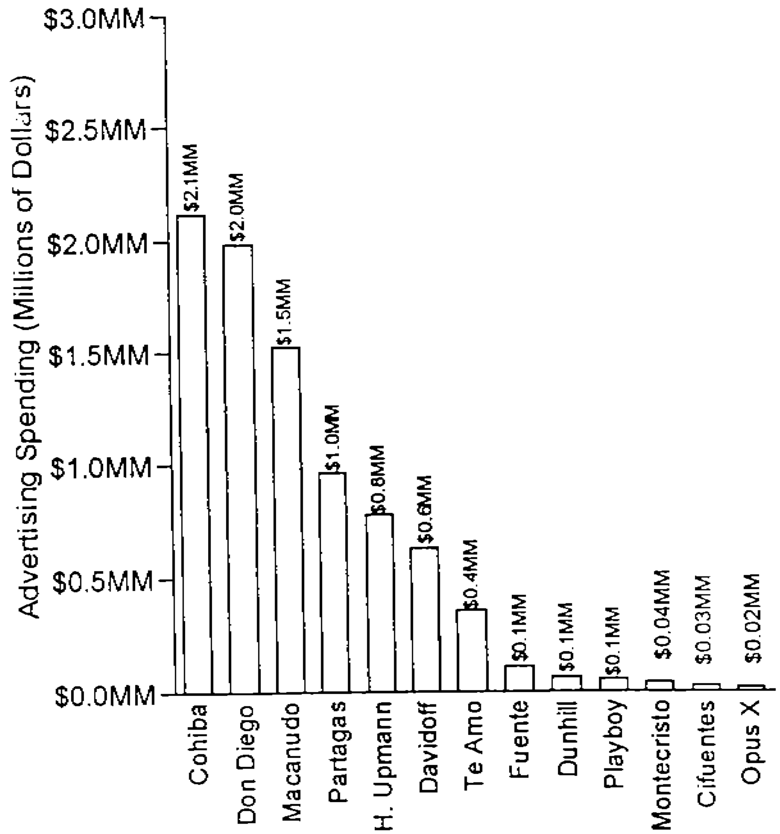
Premium Market Share vs. Ad Spending

GC Share of Premium Market by Brand



Units (MM): 35.9 26.0 10.9 3.2 1.0 0.9 0.7 0.4 0.2

Advertising Spending by Brand



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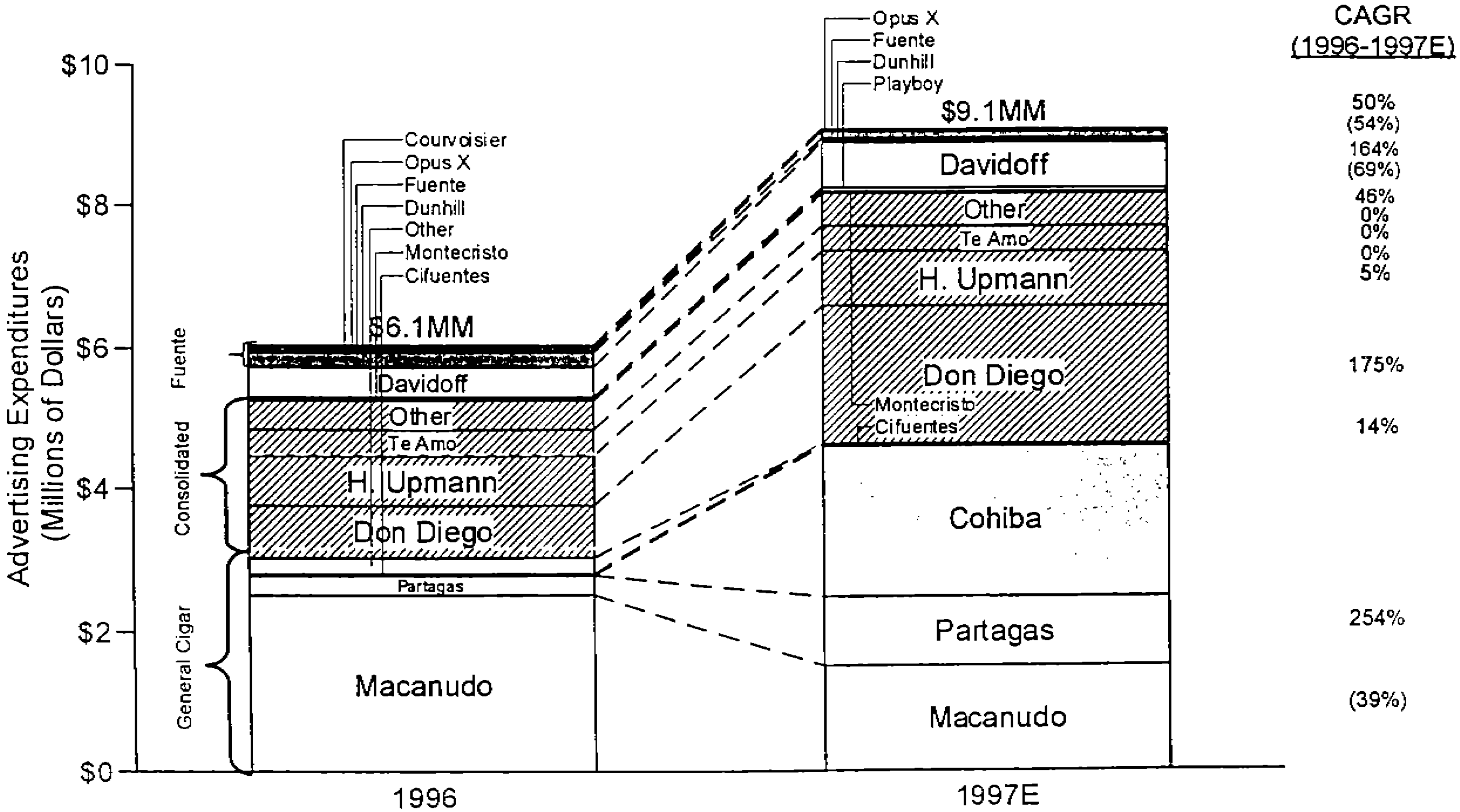
Note: Villazon share based on General Cigar estimates.

Source: General Cigar Sales Database; CAA; Analyst Reports; LNA 1996; 1998 General Cigar Business Review; General Cigar Market & Consumer Research, 1997; McCaffery Ratner Gottlieb & Lane

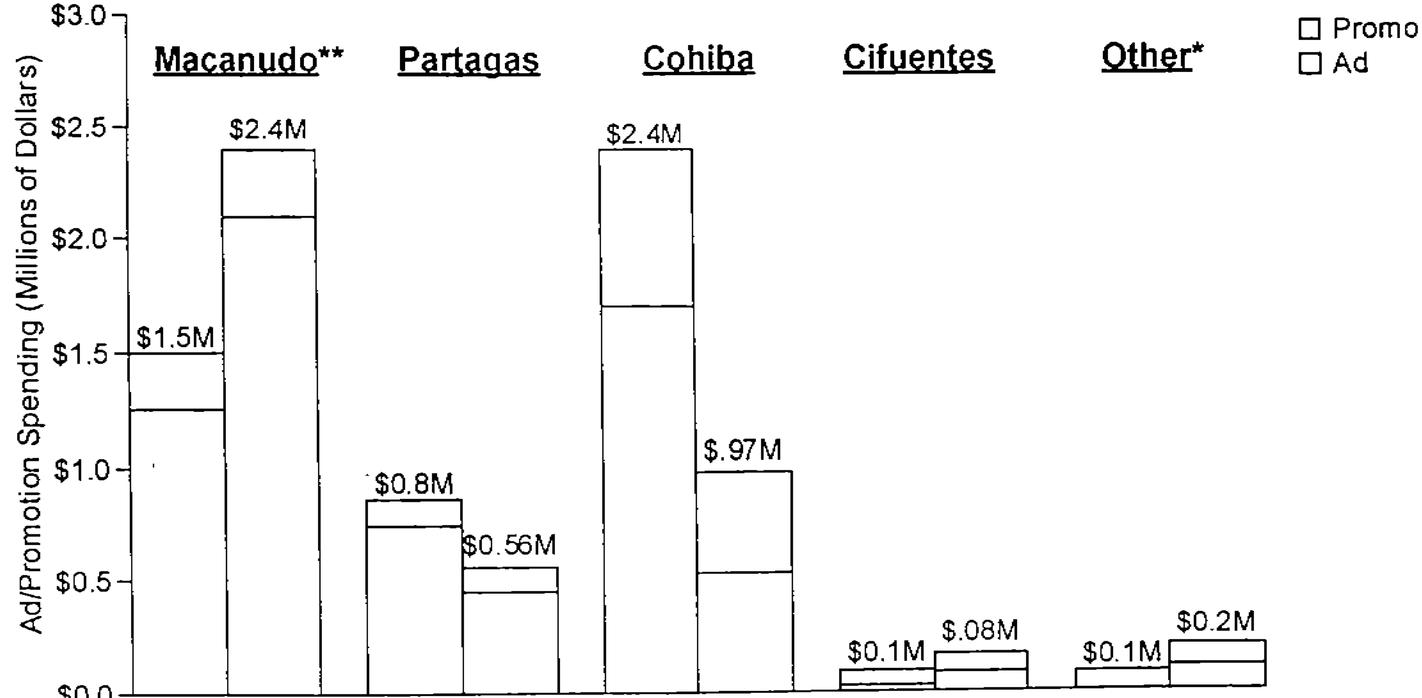
Ad Spending by Top Competitors (Premium Cigars 1996-97)



General Cigar Share of Voice: 1996: 50% 1997E: 51%

Note: 1997 estimates based on GC Business Review; Actual 1997 figures used for General Cigar
Source: LNA, 1996; General Cigar Cost Report; 1998 General Cigar Business Review; McCaffery Ratner Gottlieb & Lane; Bain Analysis

Marketing/Promotion Spend by Brand (1997-1998)



	Macanudo** 1997	Macanudo** 1998	Partagas 1997	Partagas 1998	Cohiba 1997	Cohiba 1998	Cifuentes 1997	Cifuentes 1998	Other* 1997	Other* 1998
Percent of total ad/promo spend:	14%	14%	8%	5%	23%	7%	1%	1%	<1%	1%
$/cigar:	.059	.052	.075	.031	2.18	.176	.14	.044	.04	.05
Percent of sales:	2.9%	2.1%	3.1%	1.5%	37.5%	5.6%	4.6%	3.5%	1.5%	1.6%

*Other: Temple Hall, Ramon Allones, Canaria D'oro
**Excludes Macanudo Miniatures
Source: General Cigar Marketing Expense Plan 1998

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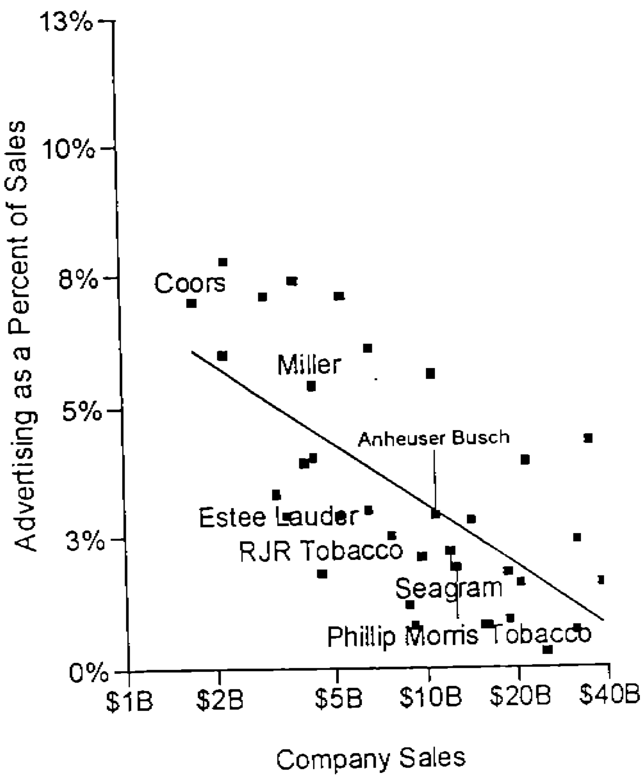
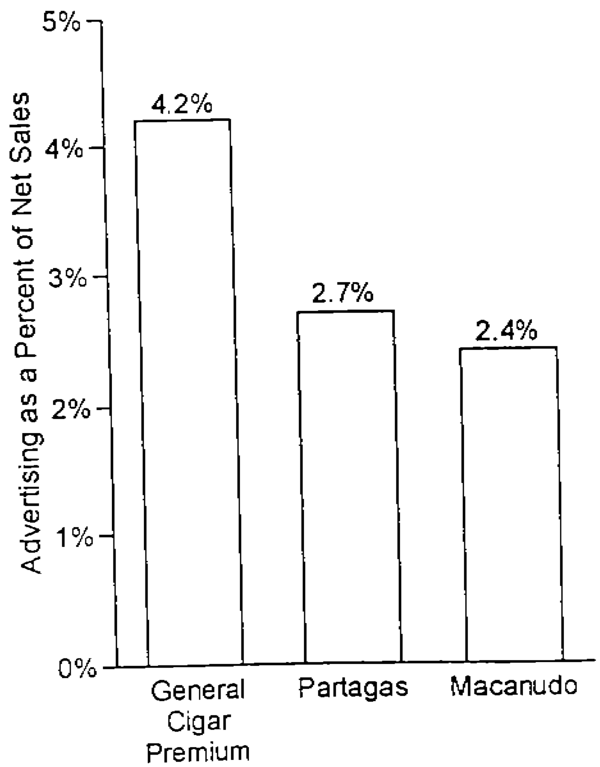
Relative Ad Spend Percent of Sales

Comparison to other consumer products companies suggests General's advertising may be low -- even versus direct comparables.

Advertising Expenditures
Scale Curve



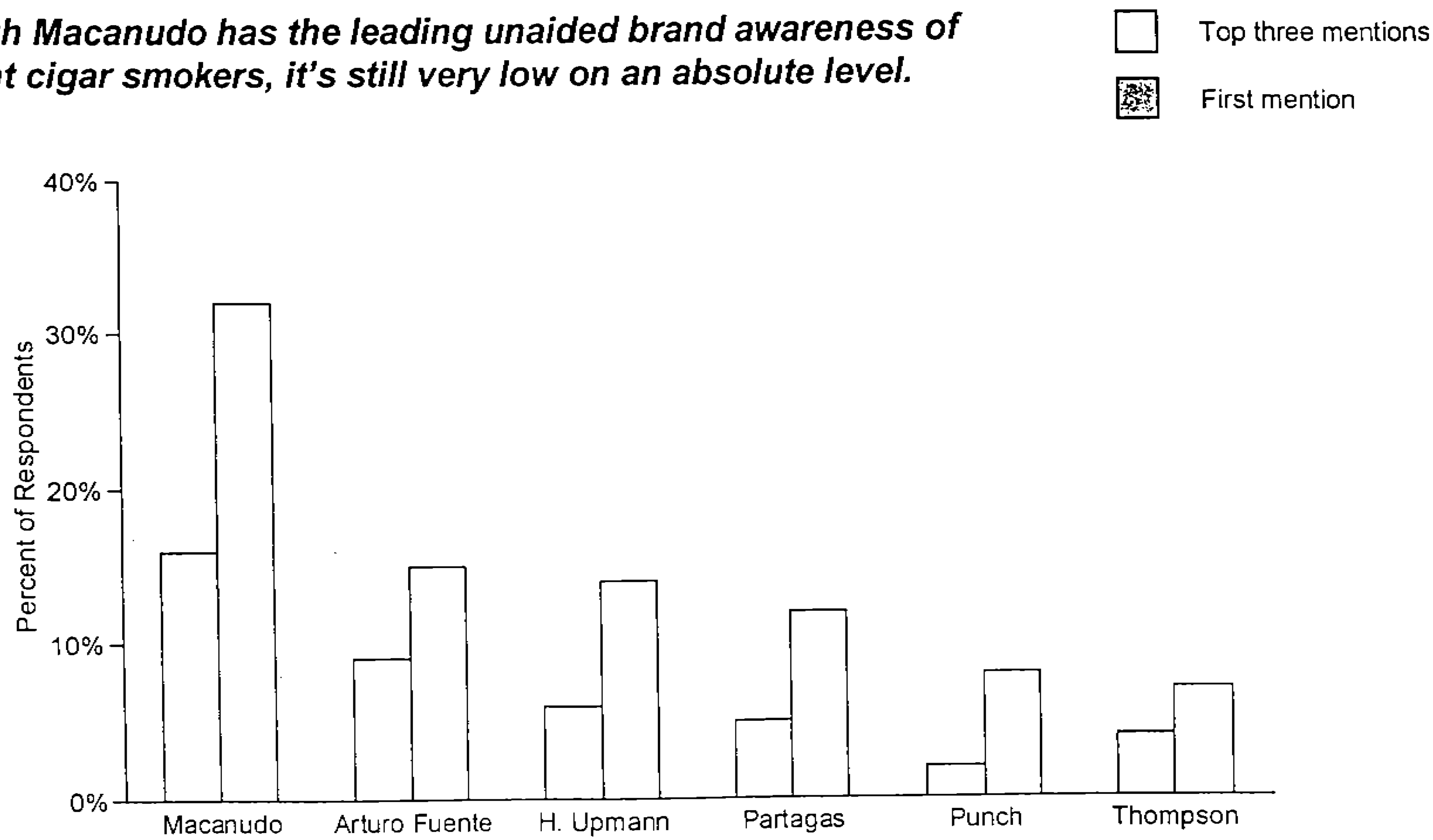
General Cigar
Advertising Expenditures



Note: Includes domestic & premium sales. Advertising includes measured media spending; excludes special promotions, direct mail, and co-op. RJR and Phillip Morris domestic tobacco only.
Source: Advertising Age 1997; Company Reports, Analyst Reports

Premium Cigar Brand Awareness

Though Macanudo has the leading unaided brand awareness of current cigar smokers, it's still very low on an absolute level.

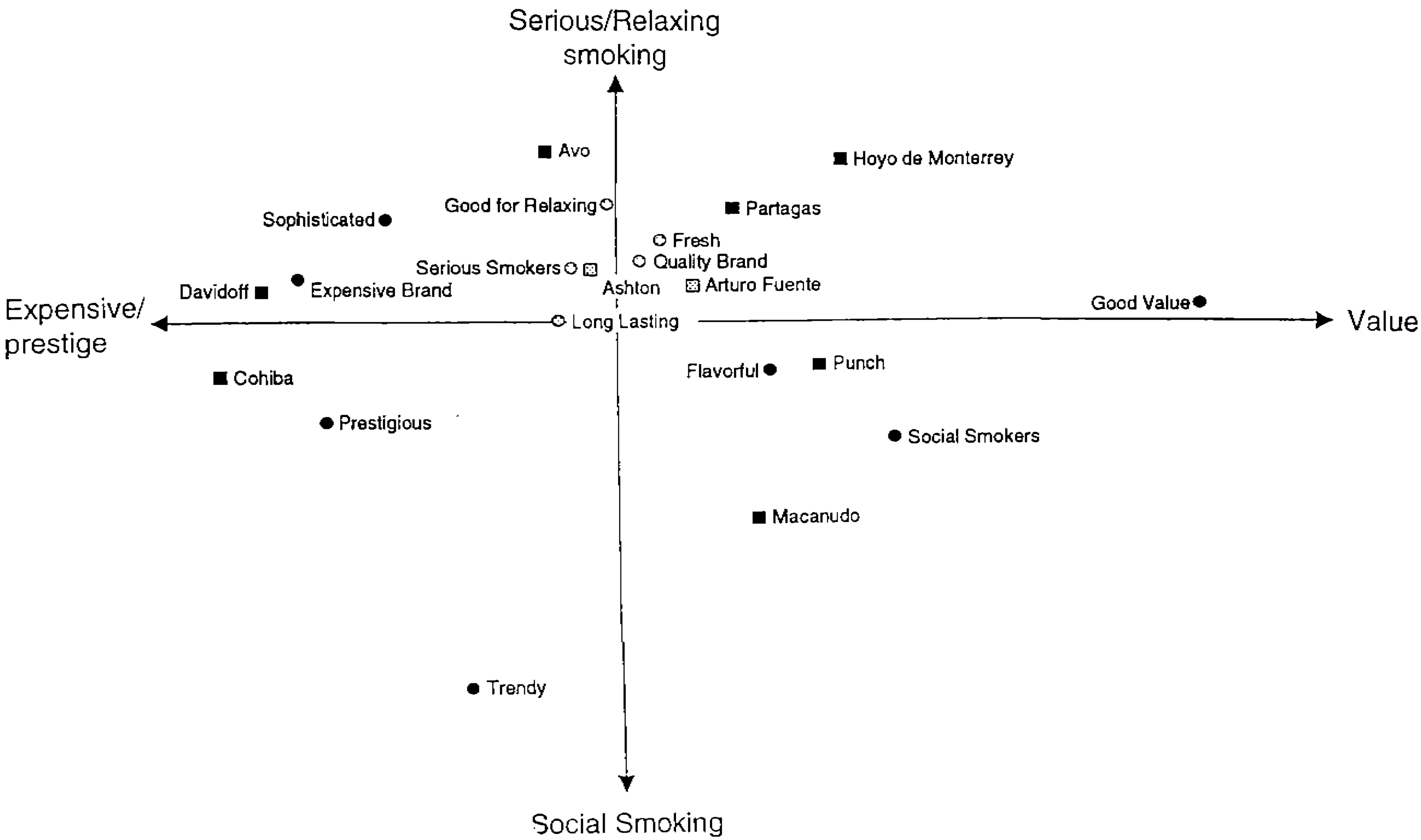


Source: General Cigar Consumer Research

Winning The Consumer

Premium Cigar Consumer Perceptual Map

Consumer perceive Macanudo to be more of a trendy Cigar for social smokers; Partagas lacks a clear image amongst consumers; Punch is viewed as a flavorful social cigar; Hoyo de Monterrey is similar to Partagas though perceived as a better value.



Source: General Cigar Consumer Research

Brand Building Strategy
(Case Example: Robert Mondavi)

Robert Mondavi very successfully grew a megabrand (i.e. Woodbridge) without impairing their premium image.

<u>Situation:</u>
- Robert Mondavi Winery prior to 1974 was one of ~1000 boutique vineyards in the U.S.; Mondavi sold super/ultra premium wines ($14-$70 per bottle)
- In 1970's premium priced wine ($3+ per bottle) experienced dramatic growth of over 15% per annum

<u>Action:</u>
- In 1976 Mondavi introduced a premium priced wine subsequently branded Woodbridge
- Woodbridge was launched through a trade oriented strategy
  - used same distributors as super/ultra premium wines who they have excellent relationships with; helped distributors sell Woodbridge into non-traditional outlets (e.g. food stores)
  - investment in distributor, wine merchant and consumer education was key to equity building (Woodbridge wasn't advertised before 1995); Robert Mondavi (founder) is leading spokeman

<u>Results:</u>
- Woodbridge has grown to 65% of Mondavi's revenue (80% of volume)
- Mondavi who went public in 1993 is now one of the top (non-popular) vineyards in the U.S.
- The explosive growth of Woodbridge hasn't negatively impact pricing/volume of Mondavi's super/ultra premium wine
- In fact, the large new consumer base has afforded Mondavi the opportunity to trade consumers up to its higher priced wines

Brand Building Strategy (Action Implications)

Advertising:
- Develop a defined positioning against specific consumer segments for Macanudo, Partagas, and Cohiba
- Increase Partagas advertising to threshold levels
- Limit spending for secondary brands to strategic advertising

Trade Programs:
- Design the trade program shelf sets around Macanudo and Partagas
- Drop all but the highest volume frontmarks on secondary brands from shelf set designs
- Future product exclusives should be unique frontmark vs. new brands

Distribution:
- Employ high volume SKU's of corebrands into secondary channels (e.g. on-premise)
- Use new brand vs. extension for mass handmade

Product set:
- Focus product development on filling specific consumer segment gaps in the core brand product lines
- Prune low volume frontmarks from secondary brands

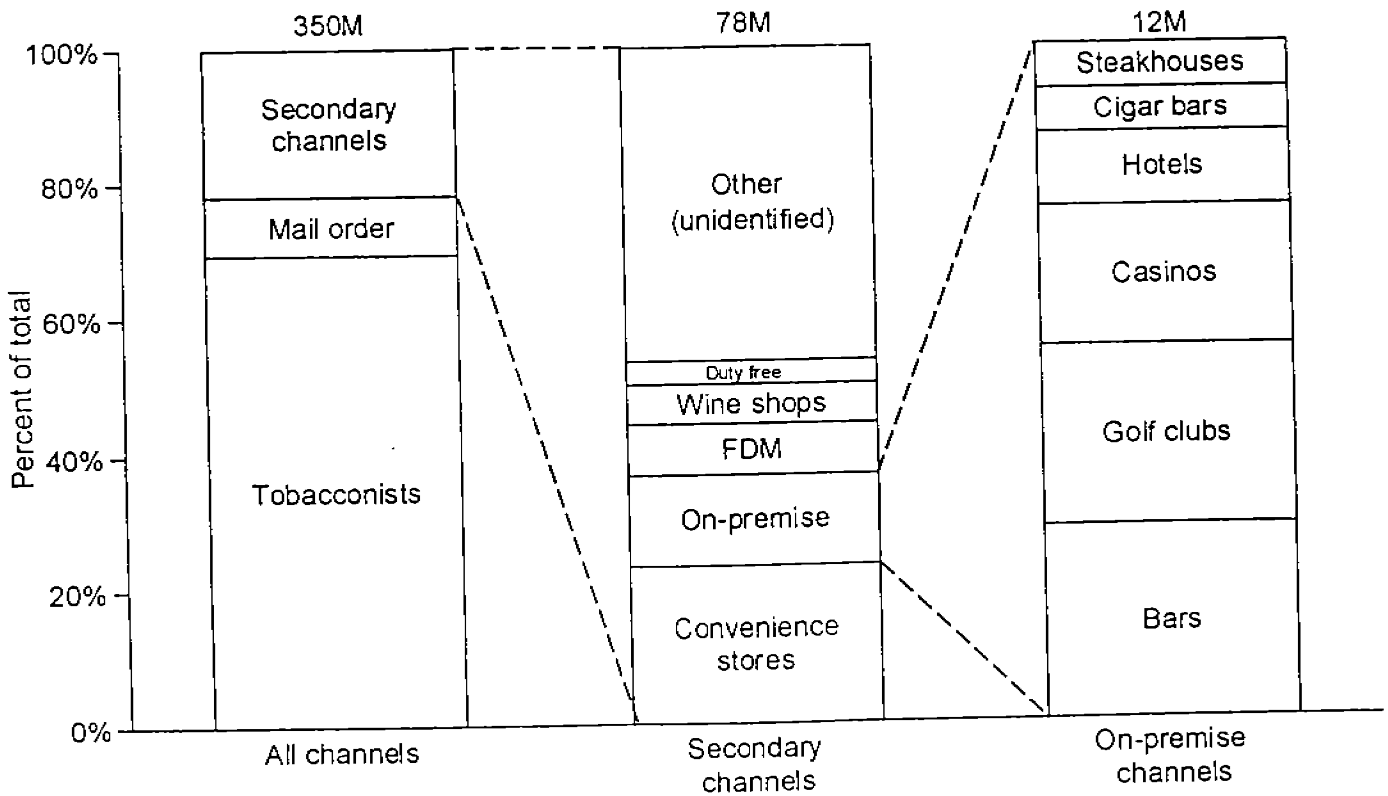
Pricing:
- Hold pricing on most frontmarks in the near term; price increases overtime as equity/popularity expands
- Consider raising prices on secondary brands to harvest

Premium Cigar Strategy

- Win with the tobacconist
- Build brand
- Maximize distribution

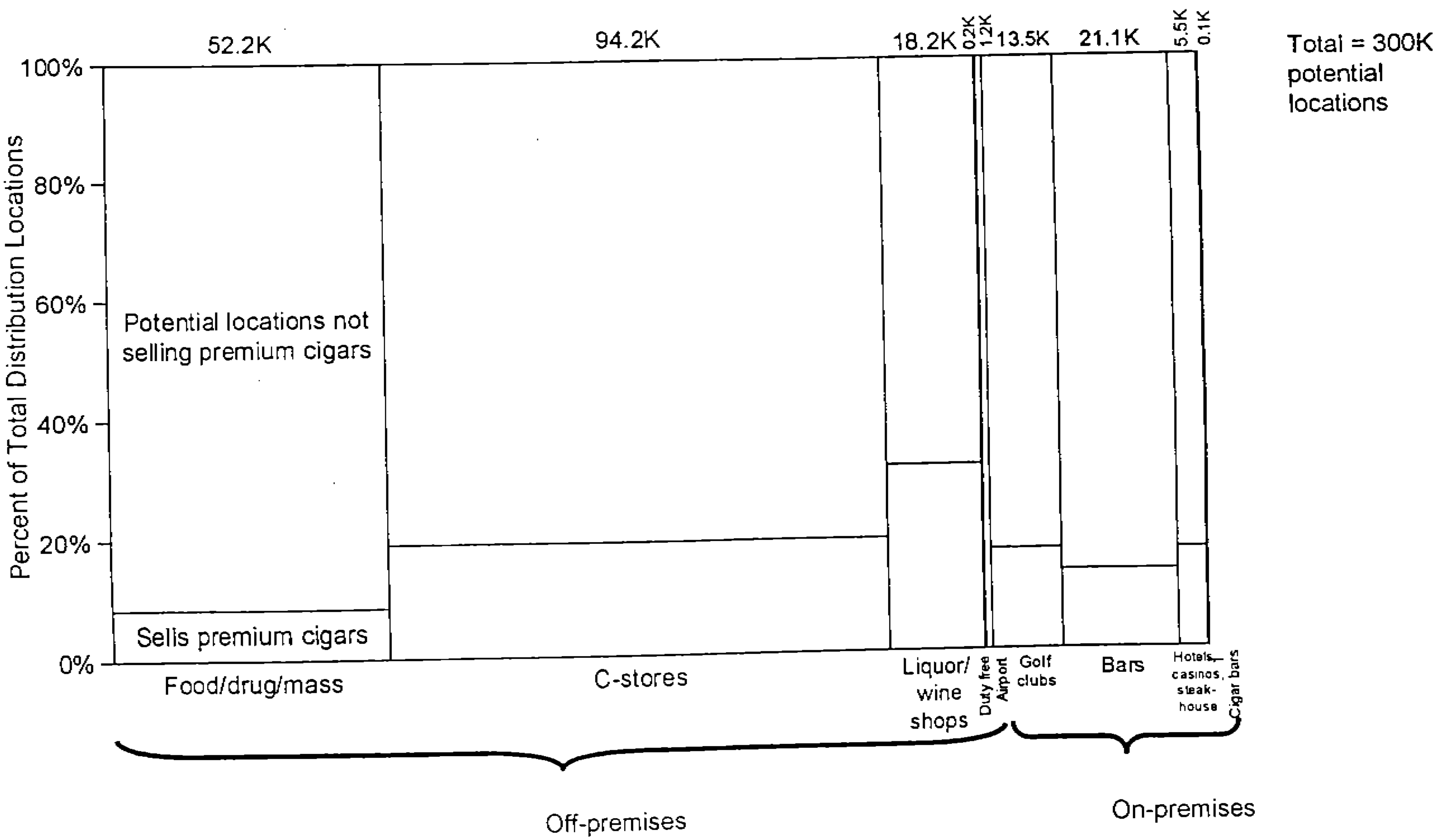
Premium Cigar Sales Map (1997)

Convenience stores and wine shops are the largest channels amongst secondary channels. On-premise represents approximately 3.4% of the total market.



Source: CAA; Tobacconist Surveys; Bain Interviews; Bain Cigar Retailer Survey 4/98; Literature Search; Bain Analysis

Premium Cigar Penetration of Secondary Channels (Percent of Potential Cigar Selling Locations*)



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*Potential locations are outlets that are structurally able to carry cigars

Source: Bain Cigar Retailer Survey; General Cigar Salesforce; National Association of Convenience Stores; American Hotel and Motel Association; National Restaurant Association; American Gaming Association; U.S. Census Bureau; Bain Analysis

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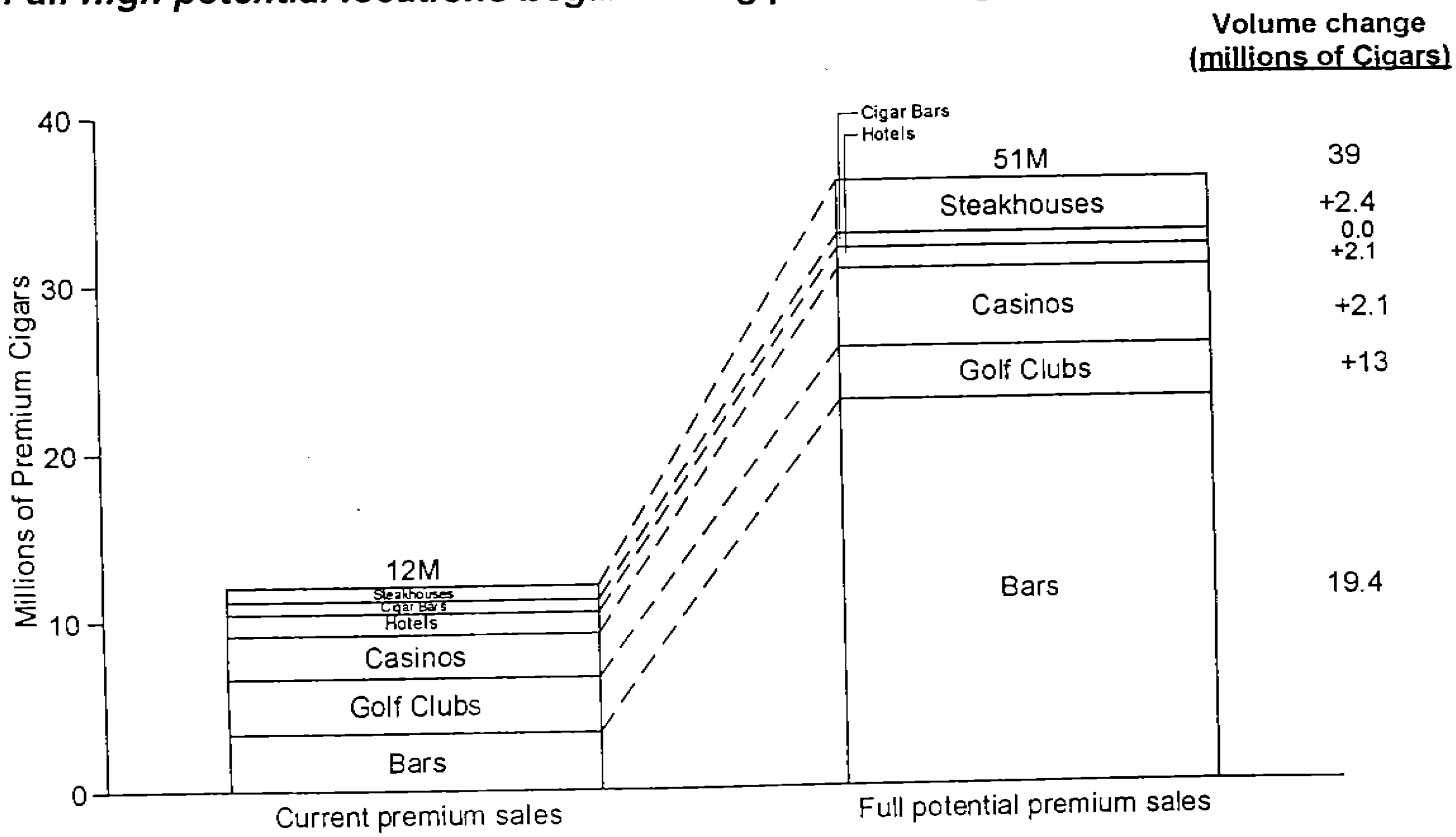
Full Potential Premium On-Premise Market Size

The potential growth in unit volume for on-premise channels is 39M if all high potential locations began selling premium cigars.



Source: Bain Full Potential Cigar Volume Model

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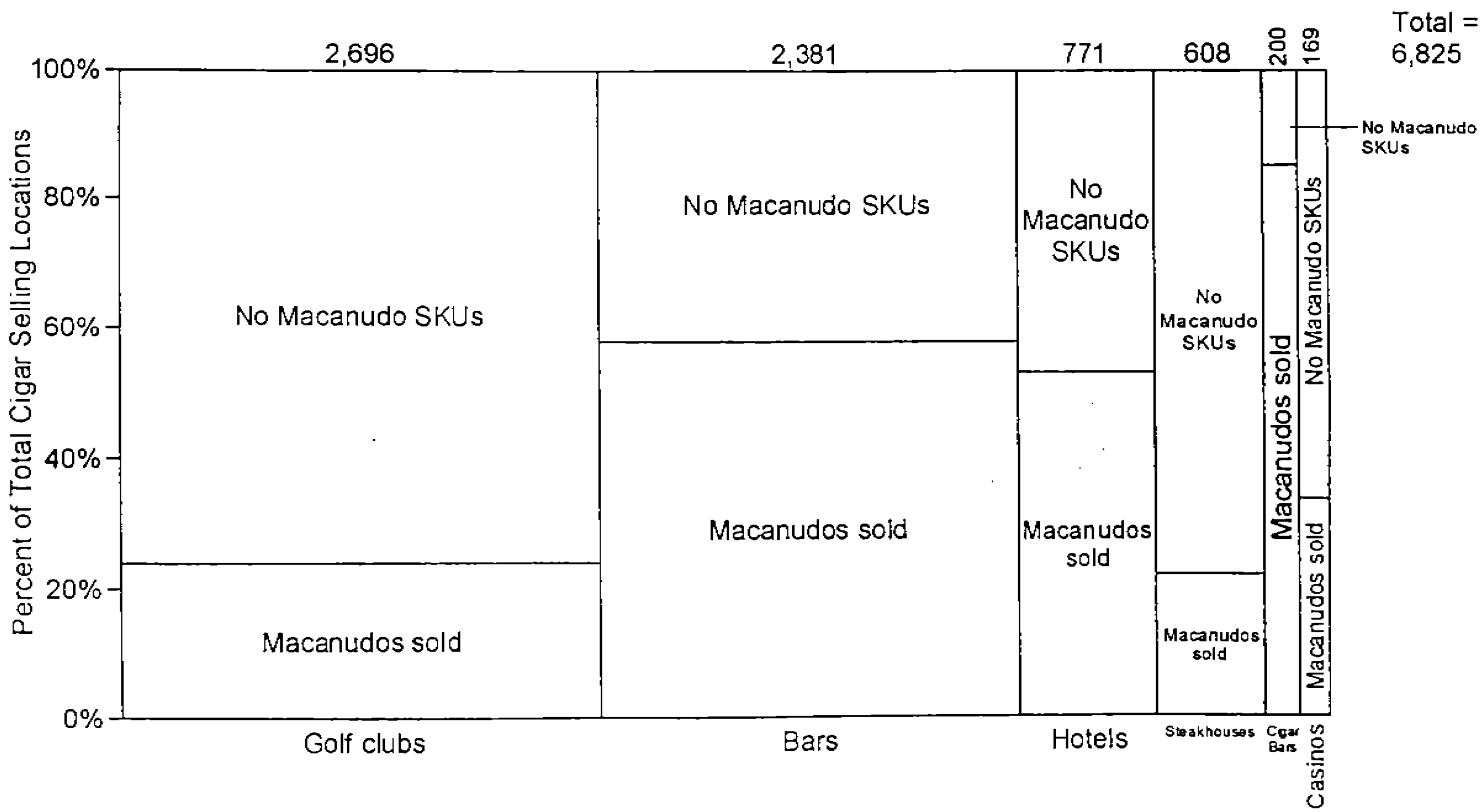
Macanudo Penetration of On-Premise Location Selling Cigars

There are over 4,000 on-premises cigar retail outlets that do not carry any Macanudo SKUs.



Penetration rate:	24%	58%	53%	22%	85%	34%

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Source: Bain Cigar Retailer Survey 4/98; Bain Analysis

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Broadening Distribution Summary

Opportunity

- General Cigar should focus its investment on the top quartile of on-premise locations, the remainder are too small to be relevant
- On-premise locations which don't sell cigars that are high potential (e.e., possess characteristics similar to current high sellers) can be targeted for penetration
- FDM and c-stores appear to be high potential markets for a hand made cigar given low penetration today

Actions

- Develop a focused selling plan (combination of General Cigar sales person and/or distributor) to get number one share in all top quartile on-premise locations
- Move ahead rapidly to grow penetration within FDM with handmade for mass
- Maintain current presence in the largest casinos, steakhouses and hotels with limited salesforce investment
- Product focus should be high volume Macanudo and Partagas frontmarks; selected Cohiba for high-end locations

Key Strategic Issues

Premium Market	Mass Market
• How can General Cigar win undisputed market leadership?	• What's the best strategy given General Cigar's market position?

Pages 40-56
Omitted

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC. and CULBRO CORP. Respondents.	:	Cancellation No. 92025859

PARTY OFFERING: PETITIONER

DESIGNATION in 97 Civ. 8399 (RWS), United States District Court, Southern District of New York, *Empresa Cubana de Tabaco d.b.a. Cubatabaco v. Culbro Corp. and General Cigar Co., Inc.*):

Plaintiff Cubatabaco's Trial Exhibit PX0317

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PLAINTIFF'S EXHIBIT 634 12/13/02 AA

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

EMPRESA CUBANA DEL TABACO d.b.a. CUBATABACO, Plaintiff, - against - CULBRO CORPORATION, and GENERAL CIGAR CO., INC. Defendants.	97 Civ. 8399 (RWS)

REPORT OF ALVIN OSSIP ON SIGNIFICANCE OF INFORMATION IN MARKET RESEARCH RELATED FILES FURNISHED BY GENERAL CIGAR AND THIRD PARTIES WITH RESPECT TO CERTAIN ISSUES CONCERNING COHIBA

January 28, 2002

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PLAINTIFF'S EXHIBIT 317

REPORT ON SIGNIFICANCE OF INFORMATION

IN MARKET RESEARCH RELATED FILES

FURNISHED BY GENERAL CIGAR AND THIRD PARTIES

WITH RESPECT TO CERTAIN ISSUES CONCERNING COHIBA

Prepared by

Alvin Ossip
Marketing Research Consultant
Hartsdale, New York

JANUARY 2002

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TABLE OF CONTENTS

A. Purpose and Data Background

At the request of Rabinowitz, Boudin, Standard, Krinsky & Lieberman, P.C., attorneys for Empresa Cubana del Tabaco d.b.a. Cubatabaco, I address in this report the significance of the market research related material provided by General Cigar and third parties in regard to the following topics:

1. The Premium Cigar Market
2. Awareness Of The Cohiba Brand
3. Cohiba As The Best Brand Ever Smoked
4. *Cigar Aficionado* Magazine As A Source Of Cigar Information
5. The Image Of Cohiba
6. Cohiba Buyers
7. Interest In Cuban Cigars
8. Confusion As To Cohiba Source And Association

The material provided included all or part of research studies commissioned by General Cigar since 1994 plus a few reports from other sources that were in General Cigar's files or information supplied to General Cigar. The material provided also included some analyses and interpretations of the research studies plus presentations made to General Cigar management. None of the research material cited precedes 1992, except for market volume estimates.

A number of different studies are referred to in this report and comparisons are made of findings that were obtained from different studies and/or at different points in time. All of the studies or study parts cited that involved interviews focused on male premium cigar users. It should be noted that the definitions used to define the premium cigar market or the qualifications to select respondents for interview may have varied from one study to another or even for the same basic study repeated at another time period. Also, the wording of questions designed to measure essentially the same phenomena may have differed across studies or time periods, as may the context in which specific questions appeared. In some studies it is not clear what the respondent qualifications for participation were. Where it is felt relevant to do so, study differences will be elaborated and evaluated. Complete tabulations for all studies were not provided and some data came from overview summaries that appeared in periodic reports to General Cigar management.

Footnote notations appear when specific study data are cited. In Section D of this report, for each of the topics covered, the specific Bates numbered pages or other designations of the documents from which that information was obtained is listed.

Previously, the undersigned prepared a report for plaintiff in this action entitled "A Study to Measure Awareness Of Cuban Cohiba Cigars And Source Confusion Between These Cigars And General Cigar Co. Inc. Cohiba Cigars" dated March 2001. My qualifications, background and compensation for services were set forth in that report. There has been no material change in these.

B. Key Information and Implications

1. The long static premium cigar market started to expand in late 1992 or in 1993, apparently fueled by growth of users, with major volume jumps in 1996 and 1997. Estimates are that the premium market turned down in 1998 and continues to drift downward as the number of new buyers being added shrinks. It is estimated that there

were 3 million or more premium smokers at one point.

2. It is estimated that a substantial majority of premium cigar smokers were aware of Cohiba cigars in the three years before General Cigar launched their 9/97 Cohiba brand, ranging from about 70% among more affluent premium smokers in 1994-95 to 58% among a more income balanced group of premium smokers in 1996. Although specific brand awareness measures were not available before 1994, information from a study conducted for the publisher of *Cigar Aficionado* magazine provides indications that awareness of Cohiba was also high in early 1992. While there may have been increases in top-of-mind awareness of Cohiba after the launch of the GC brand in 9/97 there is little to indicate that this product meaningfully increased the overall awareness of Cohiba cigars.

3. Although never legally available for sale in the United States, over the course of the years covered by the available surveys, Cohiba has ranked very high in being considered the best cigar brand that premium users ever smoked .

4. *Cigar Aficionado* magazine was launched in 9/92 and is credited by many as playing a major role in building the premium market and promoting the Cuban Cohiba. It is an important source of information to premium cigar smokers. The magazine has prominently and consistently featured the Cuban Cohiba cigars, starting with its premier issue.

Implications:

Cohiba was a famous brand in the years before GC Cohiba was launched in 9/97. This is clearly supported by data from several surveys as early as 12/94. While not directly addressed, the 1/92 survey results are consistent with a high level of awareness of the brand among more affluent premium smokers in early 1992. Cohiba's high level of "best" rankings clearly supports that Cohiba has been and is a famous and desired brand. Continuous mentions of the Cuban Cohiba cigars in *Cigar Aficionado* magazine, starting in its premier 9/92 issue, undoubtedly aided in making premium smokers aware of the Cuban Cohiba and enhanced its reputation.

5. Prior to GC's 9/97 launch, Cohiba had a distinctive image among premium users, which continued after the GC launch. It has consistently been seen as an expensive, prestigious, sophisticated, special occasion, strong flavored cigar.

Implications:

The consistency of the Cohiba image supports that it stems from the Cuban Cohibas. It also indicates that awareness of Cohiba consists of specific impressions about the product and not only recognition of the name.

6. Information obtained from Cohiba users or buyers provides no basis for determining which Cohiba product they were referring to. However, there is a substantial segment of Cohiba buyers who rate themselves as low in terms of cigar knowledge, and, on average, Cohiba buyers do not see themselves as any more knowledgeable than the average premium user. Analyzing the total cigar user market by motivational segments, General Cigar's research found that, among the segments to whom premium cigars appeal, Cohiba in recent years seems to have drawn disproportionately from those segments with the lowest self evaluated knowledge of cigars.

7. There appears to be a continuing high level of interest in and preference for Cuban cigars among premium cigar smokers, with Cohiba users surveyed in 9/98 stating much greater

than average preference for Cuban cigars, and above average interest in a cigar's country of origin.

8. After the launch of their Cohibas in 9/97, General Cigar management was made aware by their research companies that there was confusion between the GC and Cuban Cohibas. No attempt was made to measure or address this in any quantitative studies.

Implications:

With a substantial segment of Cohiba users indicating low cigar knowledge, and Cohiba users, on average, indicating no greater knowledge than the typical premium smoker, and, coupled with the Cohiba's having a substantially above average interest in Cuban cigars, it is not unlikely that many Cohiba users would be or are confused as to the source of the GC product or the association of the manufacturers of the Cuban and GC Cohibas. It is also not unlikely that such confusion would probably also occur among many potential Cohiba buyers who are aware of Cuban Cohiba cigars and their reputation.

C. Topics

1. The Premium Cigar Market

The consumption of premium cigars started to grow in late 1992 or 1993, after more than a dozen years of flat sales, fueled by the influx of new users. Growth apparently continued through 1997, with major gains occurring in 1996 and 1997. Estimates are that the market turned down in 1998 and continues to inch downward as the number of new buyers declines. It is estimated that there were at least 3 million premium smokers during the peak periods.

While the size of the premium cigar market in the United States is measured in different ways the market estimates shown are those prepared for General Cigar by the Bain consulting organization.

- Premium cigar consumption (apparently covering hand rolled cigars costing at least $1 and excluding little cigars) was at the rate of 90-102 million per year for fourteen years before showing an annual increase in 1993. Growth continued for several more years, with major gains evident in 1996 and in 1997. New users apparently fueled the growth of the premium category.(6)

Millions of Premium Cigars Consumed (1)

	Annual consumption	% Gain Over Prior Year
1992	99	+ 1
1993	110	+11
1994	126	+15
1995	164	+30
1996	250	+52
1997	350	+40

- Premium cigar consumption apparently started to turn down in 1998. The numbers shown below were read from a graph presented to GC management in July 2001.(2)

1998	300	-14
1999	285	- 5
2000 (estimate)	270	- 5
2001 (estimate)	260	- 4

- A presentation in 2000 based on data from an NPD study, which tracked cigar users over time, indicated a continuing decline in new premium smokers.(4) However, according to the same studies, approximately 20% of premium only smokers in September 1999 and

January 2000 had been smoking cigars for 2 years or less.* This proportion dropped to about 14% in the April 2000 wave of this study.(3)

- According to a NPD 3/99 Attitude & Usage Study ("A&U Study"), the proportion of cigar smokers who are relatively new to the cigar market is higher among lighter smokers. At that time, 29% of the lighter premium smokers had been smoking cigars two years or less, compared to 11.3% for the more frequent premium smokers.(4a) The average of the two groups was 22% who had smoked cigars for two years or less.
- The number of total premium buyers appeared to peak in 1997-98, with about 3 million households having a premium smoker. (Since some households include more than one cigar smoker, the actual numbers may be somewhat higher than shown below.)

Millions of Smoker Households
(Based on NPD Incidence Studies) (5)

	Total Cigar Smoker HHs	Premium Cigar Smoker HHs *
1/97	5.5	2.1
10/97	8.6	3.3
5/98	6.8	2.6
9/98	7.9	3.2
1/99	8.0	2.8

* Largely composed of those who smoke only premium plus some who smoke both premium and mass market cigars.

While the consulting organization that analyzed these numbers indicated some issues with the data (7) it probably provides reasonable estimates of the number of premium smokers.

* In the 9/99 wave, 20% of cross-over buyers (buy both premium and mass brands) had also started smoking cigars within the past two years (8).

2. Awareness Of The Cohiba Brand

A majority of premium cigar smokers (estimated in the range of 58-73%) was aware of the Cohiba brand name in the three years before General Cigar launched its Cohiba in 9/97. While no estimate of awareness is available from a 1992 study, responses to other questions in that study would be consistent with a high level of awareness for Cohiba at that time.

In analyzing Cohiba awareness levels we should be cognizant of the fact that awareness before the introduction of the GC Cohiba brand in 9/97 was very likely due to familiarity with the Cuban Cohiba. Before introduction of the GC product in 9/97, there had been substantial publicity about the Cuban Cohiba, particularly in *Cigar Aficionado* magazine (see later section). Sales of GC's Cohibas before 9/97 had been extremely modest (see Appendix 1), and, I am advised, there had been no advertising or promotion support.

While comparisons must be made across different types of studies, it would appear that the level of total awareness of Cohiba since the launch of the GC Cohiba product in 9/97 has not changed majorly even though there may have been increases in top-of-mind awareness of Cohiba. Any increase in overall Cohiba awareness, if it occurred, after 9/97 might be due in whole or in part to the continuing media attention paid to the Cuban Cohiba.

Two levels of brand awareness are often measured: unaided or top-of-mind awareness (when respondents are asked to name brands that come to mind or that they have heard of) and aided or total awareness (when respondents are asked whether or not they have heard of a named brand). Unaided awareness is affected by such things as brands a respondent is currently using or a brand's recent advertising or publicity and is often used to evaluate current advertising programs. Total awareness is used to gauge the extent to which a brand is known.

Various GC sponsored studies measured awareness of premium brands starting in late 1994. While aided awareness for Cohiba was not measured until 1998, information from unaided awareness of the brand was used by me to estimate its total awareness in the pre-1998 studies. Data from a 1992 study done for Shanken Communications is used to attempt some indication of Cohiba awareness during that time period.

- I estimate that 68-73% of premium cigar smokers in 1994-1995 were aware of Cohiba cigars. While my estimates are based on the results of three studies with premium cigar users, it is not known what was required for the respondents to qualify for the study. Respondents in these studies appear to have been considerably more affluent than those in the subsequent studies reported here.

  Three Attitude and Usage studies were conducted in 1994 and 1995 for GC via telephone interviews with pre-screened NPD consumer panel members who smoke premium cigars. These studies showed extremely consistent results for the unaided and aided brand awareness measures obtained, with results for individual brands falling within a relatively narrow range over the three studies.

  In these studies, aided awareness was obtained for nine brands but not for Cohiba. However, having both unaided and aided awareness for these other brands allows for interpolating the projected total awareness of Cohiba based on the proportion who cite it on an unaided basis. I used the average increment from unaided to aided awareness for seven brands to arrive at the Cohiba estimate. (Even if the lowest end of the range of increment from unaided to aided awareness were to have been used the estimates would have indicated a majority being aware of Cohiba)

(Table on next page)

Awareness Levels for Selected Brands									
	12/94 Sample = 200 (1)			2/95 Sample = 304(6)			5/95 Sample = 363 (2)		
	Unaided %	Aided %	Gain	Unaided %	Aided %	Gain	Unaided %	Aided %	Gain
Macanudo	63.0	82	+19	59.2	82	+23	59.5	82	+22
Partagas	39.0	61	+22	38.8	64	+25	42.7	67	+24
Fuente	26.5	66	+40	31.6	71	+39	34.4	73	+39
Upmann	33.5	80	+56	27.6	83	+55	28.1	85	+57
Dunhill	23.5	92	+68	20.4	93	+73	20.2	94	+74
Davidoff	18.0	73	+55	16.8	77	+60	18.4	80	+62
Hoyo de Monterrey	11.5	76	+64	16.4	80	+64	17.1	83	+66
Avo	13.0	52	+39	15.0	58	+43	14.6	61	+46
Ashton	8.5	60	+51	7.2	58	+51	7.7	57	+49
Cohiba	14.5			17.1			16.7		
Average increment of brands excluding Macanudo & Partagas*			+53			+56			+55
Estimated Cohiba aided awareness using the average increment		68			73			72	

* The two brands excluded due to high unaided awareness which limits the gain that can occur in aided awareness.

In the studies reported above about 35% of respondents indicated an annual income of $100M or more. However, the available data show that in the 1995 studies the unaided awareness of Cohiba was not drastically different between those who made over $100M versus those who made less.

	Unaided Awareness of Cohiba	
	Less than $100m per annum	$100M or more per annum
2/95	15.8%	19.1%
5/95	15.7	19.6

- On the basis of a similar NPD study conducted 7/96, with a sample of respondents who may have qualified for the study using a different standard than the earlier ones, I estimated that 58% of the respondents were aware of Cohiba.

The 1996 NPD study was apparently conducted with less affluent premium smokers and may have included more lower priced brand users or less frequent smokers than in the 1994-95 studies. (Only about 11% of those in the 1996 study earned $100M or more per annum.) This may account for the general sharp reduction, from the prior studies, in unaided awareness levels for all the major brands as well as a reduction in aided awareness levels for Upmann, Davidoff and Hoyo de Monterrey. Aided awareness for the six other brands essentially maintained their prior levels. (An expanding number of premium brands being available in the marketplace may also have lowered unaided awareness levels.) However, the relation of unaided to aided awareness evident in the prior three studies seemed to hold allowing for an estimate to be made of Cohiba's aided awareness.

Awareness Levels for Selected Brands

	7/1996 Sample = 364 (3)		
	Unaided %	Aided %	Gain %
Macanudo	37.9	80	+42
Partagas	19.0	64	+45
Fuente	19.1	70	+51
Upmann	16.7	66	+49
Dunhill	14.0	86	+72
Davidoff	5.7	48	+42
Hoyo de Monterrey	9.9	66	+56
Avo	3.9	61	+57
Ashton	3.5	51	+47
Cohiba	5.0		
Average increment of brands excluding Macanudo & Partagas *			+53
Estimated Cohiba aided awareness using average increment		58	

* The two brands excluded to keep it consistent with the prior analyses.

Aided awareness measures were not obtained in the NPD Attitude & Usage studies done in July 1997 and after the launch of GC's Cohiba. Although unaided awareness of Cohiba in these NPD studies appeared to increase in the post launch periods (see later page) there was no aided awareness data to link the numbers to. Consequently, aided or total awareness estimates were used from other studies.

- About a year after the GC Cohiba introduction (9/98), a mail study conducted with the NFO consumer panel indicated Cohiba had 56% aided brand awareness among premium cigar smokers (had to smoke at least one of 24 listed higher priced premium brands). This is no higher than the 58% estimate I derived from the NPD 7/96 study, as noted above. (In this NFO study about 16% of premium users had incomes of $100M or more, not too far from the 11% noted in the NPD 1996 study.) It should be noted that the total awareness levels for the six brands for which this information was obtained in both the NPD and NFO studies showed declines in the more recent NFO study. (Table of NFO data appears after next bullet point)
- In March of 2000 another mail study was conducted with the NFO panel which involved substantially more committed premium smokers than the prior NFO study (smoked only premium, at least once a week) produced an aided recall of 77% for Cohiba. This is not much higher than the 68-73% range I derived from the NPD 1994 and 1995 studies.

Although the sample qualifications are not the same, the gain for Cohiba from 56% awareness in the 1998 NFO study, a year after the GC launch, to 77% in the 2000 NFO study among a substantially more committed premium user group was no greater than the average gain shown for the brands asked about in both of these studies (+24).

Aided Awareness for Selected Brands - NFO Studies

No. of Respondents	9/98 (4) (456) %	3/00 (5) (350) %	Gain
Macanudo	78	87	+ 9
Partagas	56	79	+ 23
Fuente	52	85	+ 32
Upmann	56	76	+ 20
Davidoff	39	67	+ 28
Hoyo de Monterrey	46	80	+ 34
Punch	52	77	+ 25
Don Diego	69	85	+ 16
Monte Cristo	59	86	+ 27
Cohiba	56	77	+ 21

- The results of these two NFO studies (9/98 and 3/00), when compared with the derived Cohiba awareness estimates from the pre-GC launch NPD studies, would indicate that GC sales and promotion had no major effect on overall Cohiba awareness.
- The various NPD A&U studies, done between 1994 and 1999, would indicate that unaided awareness of Cohiba may have increased since the launch of the GC brand. However, as noted before, the indications are that overall Cohiba brand awareness did not expand to any meaningful extent. (Of course, the premium market changes year to year as smokers enter and leave but a comparison of the year to year levels is relevant.)

  If there was an increase in unaided awareness after launch of the GC product, it is not known what part of that may be attributable to GC Cohiba efforts or to media coverage of Cuban Cohiba.

NPD Studies (7)

Date of Study	No. of Resp.	Cohiba Unaided Awareness
12 /94	(200)	14.5 *
2/95	(304)	17.1 *
5/95	(363)	16.7 *
7/96	(364)	5.0
7/97	(341)	6.9
3/98	(408)	13.0
10/98	(451)	17.3
3/99	(375)	14.9

* Qualifications for inclusion in these studies may have differed from the later studies.

- Information on recall of GC Cohiba's advertising in magazines within the first year after the launch would seem to indicate that only a small percent of premium smokers consciously recalled seeing such advertising.

	NPD 3/98 (8)	NPD 10/98 (9)
No. of Respondents	(408)	(451)
	%	%
Remember seeing or hearing advertising in the past 2 months for:		
Cohiba	4	3
Macanudo	9	7
Partagas	5	3
Punch	4	2
Cohiba share of premium brand mentions	7%	6%

- The only survey data available before 1994 is a 1/92 study conducted for Shanken Communications, subsequent publisher of *Cigar Aficionado* magazine.(10) The respondents surveyed were drawn from cigar company mailing lists, probably because of the difficulty of accessing a sample from the modest percent of males who smoked premium cigars then. Respondents tended to be well above average in income, with 44% stating they earned $100M per year or more. A group of 437 respondents who usually spent at least $3.50 for a cigar was analyzed separately. This group comprised 24% of the total sample of smokers and was probably chosen to focus on premium cigar buyers.

While no brand awareness information was collected, Cohiba was tied for fourth place in terms of being the best cigar these higher priced users had ever smoked, with 6.2% citing it. 4.1% of the higher priced cigar users indicated that Cohiba was the brand they normally smoke.(11) In addition, these 437 respondents indicated a very high level of interest and involvement with Cuban cigars.

All of the above would be consistent with a fairly high level of awareness of the Cohiba brand among these premium smokers. It can be safely assumed that these respondents were aware of the Cuban Cohiba cigars, since the study was conducted at a time when GC had no Cohiba product on the market, and had last sold cigars under the Cohiba name in 1986 or early 1987, five years previously. (See Appendix).

<u>3. Cohiba As The Best Brand Ever Smoked</u>

Although Cuban Cohibas were never legally available for sale in the US, Cohiba has ranked very high in being considered the best cigar brand that premium users ever smoked over the course of the years covered by the available reports.

- In a 1992 study conducted for Shanken Communications (subsequent publisher of *Cigar Aficionado*) Cohiba was tied for fourth place in terms of being named the best cigar ever smoked by the decidedly upscale male cigar smokers interviewed.

Best Cigar Ever Smoked
(Among Those Usually Spending Over $3.50 Per Cigar) (1)

No. of Respondents	(437)
	%
Davidoff	23.6
Monte Cristo	14.9
Macanudo	6.4
Cohiba	6.2
Upmann	6.2
Romeo & Julieta	4.1

- In the Attitude & Usage surveys conducted periodically by NPD from 1994 through 1999 Cohiba was ranked either first or second each time as being the best cigar ever smoked by the premium users in each study.

Best Cigar Ever Smoked
(NPD A&U Studies) (2)

Date of Study	No. of Resp.	Cohiba	Macanudo
12 /94	(200)	8.5	22.5 %
2/95	(304)	10.9	16.1
5/95	(363)	11.3	14.6
7/96*	(364)	3.6	11.8
7/97	(341)	11.0	10.3
3/98	(408)	8.6	10.0
10/98	(451)	14.6	8.2
3/99	(375)	14.4	13.3

* The 3.6% figure in the 7/96 study would seem to be anomalous given the pattern over the years, and its significance is to be questioned. It should be noted that between the 5/95 and 7/96 studies there was a sharp decline in the proportion of times that the top eight brands were mentioned, although Cohiba showed a relatively sharper falloff. There was an increase in mentions for non-major brands, for Cuban (unspecified) and in no brand being mentioned.

- At least through the July 1997 survey, it is safe to assume that the respondents reporting Cohiba as the best cigar they ever smoked were referring for the most part to the Cuban

Cohiba. There was no General Cigar Cohiba product on the market at all after 1986 or 1987 through late 1992, and there had been only extremely modest sales from then until the 9/97 launch. (See Appendix).

- While there may have been an increment of about 100,000 premium users who cite Cohiba as the best cigar ever smoked between the 1995 and 1997 versus 1998-99 studies,* it is logical to assume that only a modest proportion of this increment, at most, is due to GC Cohiba. Annual sales of GC Cohiba were less than 1 million per year and the likely number of buyers/triers this would cover is modest, and there is no reason to assume they would all consider the GC Cohiba the best brand ever smoked.

4. *Cigar Aficionado* Magazine As A Source Of Cigar Information

Cigar Aficionado **was first published in September 1992, which is roughly concurrent with the start of the premium cigar boom of the nineties. Many attribute a major role to** ***Cigar Aficionado*** **in fostering this boom and it is an important source of information to premium cigar smokers, particularly the heavier smokers.** ***Cigar Aficionado*** **has prominently and consistently featured the Cuban Cohiba cigar.**

- *Cigar Aficionado*'s premier issue in September 1992 roughly coincides with the start of the growth in the premium cigar market. Several industry executives have testified to their belief that the magazine played an immediate, important role in fostering this growth and promoting the Cuban Cohiba.(13) This appears to be confirmed by the circulation figures for the premier issue, and the magazine's subsequent growth.

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* The differential of 3.4% between the two time periods, applied to roughly 3 million premium users, yields about 100,000 added users.

About 115,000 copies of the premier issue were distributed, at a time when there were less than half a million premium cigar smokers -- a ratio of little less than 1 issue per 4 consumers.(14) The magazine was also distributed to 453 cigar retail outlets for display and sales to customers and its introduction was a major industry publicity event.

- As the number of premium cigar smokers grew, so did *Cigar Aficionado*'s circulation; at the height of the premium cigar boom its circulation for the first six months of 1997 was 400,000.(14) The GC market research studies began to chronicle *Cigar Aficionado*'s importance in 1997. For the period 1997-2201, perhaps 11-17% of premium cigar smokers indicated they purchase the magazine regularly and 28-52% used it as a source of information about premium cigars. The influence of the magazine is multiplied as readers convey information from it to friends, relatives and business associates.

  - Based on several different GC studies, 11-17% of premium cigar smokers indicate that they subscribe to or regularly read *Cigar Aficionado*. Evidence is that heavier premium smokers are more likely to do so.

% Of Premium Smokers Who Subscribe To or Regularly Read *Cigar Aficionado*

		Heaviness of Premium Use		
	Total	Heavy	Medium	Light
NPD A&U Studies				
7/97 (1)	12%			
3/98 (2)	12			
10/98 (3)	12			
NFO Study – 9/98 (4)	17	36	19	8
Internet Advtg. Study 3/01 (5) (Purchased premium at least 2X in past year)	11			

  - In the several NPD studies at least 44% of the premium cigar users indicated using *Cigar Aficionado* as a source of cigar information.

% Who Use *Cigar Aficionado* As An Information Source/Reference

	Total
NPD A&U Studies	
7/97 (6)	46%
3/98 (6)	44
10/98 (6)	47
3/99 (7)	52

- In a 9/98 NFO Study(9), 28% of the premium smokers indicated referring to *Cigar Aficionado* as a cigar information source, with the proportion being 48% among the heavier premium users.

  Also, the proportion referring to *Cigar Aficionado* ranged between 34-55% for regular users of the major premium brands (45% for Cohiba users). In addition, 35% of those who are regular or most often users of Cohiba indicated they read it regularly.(10)

% Who Use *Cigar Aficionado* As An Information Source/Reference

		Heaviness of Premium Use		
	Total	Heavy	Medium	Light
NFO Study – 9/98 (8)	28	48	33	16

- Friends, relatives and business associates are an important source of information to premium cigar smokers, particularly to younger smokers. Consequently, the influence of the magazine is not confined to its readers but includes influencing those cigar smokers who seek advice from *Cigar Aficionado* readers.

% Who Look To Friends, Relatives & Business Associates For Cigar References

	Total	18-34	35-54	55+
NPD 3/98 (11)	61	71	58	30
NPD 9/98 (12)	61	72	61	32

- Cohiba cigars from Cuba have been prominently and consistently featured in *Cigar Aficionado*, beginning with the magazine's first issue, where the lead article was about the Cuban Cohiba cigar and continuing in most every issue thereafter. In the period from the initial issue through summer 1997 it was mentioned in at least 149 articles and additional times in taste tests and numerous photos.(15) For the subsequent period, I am advised, there have been at least 46 articles, plus additional taste tests and photos.

5. The Image of Cohiba

Prior to GC's 9/97 Cohiba launch, Cohiba had a distinctive image among premium smokers. Studies after the GC launch showed that Cohiba retained the same image. It has consistently been seen as an expensive, prestigious, sophisticated, special occasion, strong cigar.

In addition to its high ratings as best cigar ever smoked, the market research data contained other information about Cohiba's image.

- One survey completed before the launch of the GC Cohiba and three completed after the launch showed perceptions of Cohiba to be essentially similar.
  - In the NPD study conducted 7/97(2) Cohiba was rated against eight other major brands. Cohiba's top ranked image attributes were: expensive, prestigious, trendy and for serious smokers.

- On the basis of a study conducted by NFO in 9/98 (3), about a year after the GC Cohiba launch, it was concluded that "Cohiba has a differentiated image as a prestigious, sophisticated cigar that's good on special occasions."

- An NPD study conducted in 3/00 (4) showed Cohiba as being perceived as expensive, for special occasions, top of the line cigar, for successful people, a brand you could use to treat yourself and for the serious smoker.

- In another study conducted in 2000 by NFO (5) among 350 committed premium users, they saw Cohiba as being for experienced smokers, for connoisseurs that live life to the fullest, for those who want to stand out and who are successful.

- Cohiba had a clear image as a strong tasting cigar, both before and after the GC launch. This is indicated in three studies conducted before the launch of GC Cohiba and one study conducted after.

    - In an NPD study in 5/95 (6) respondents rated several brands in terms of having full bodied taste. Cohiba was highest rated for this attribute among the brands that had more than a handful of respondents rating them.

Rating on Full Bodied Taste
(5-point scale of Excellent to Poor)

	No. of Resp.	% Rating "Excellent"	Average Rating *
All premium brand combined		37	3.9
Cohiba	(38)	84	4.8
La Gloria Cubana	(26)	46	4.3
Partagas	(133)	38	4.1
Davidoff	(67)	45	4.1
Arturo Fuente	(134)	37	4.0
Avo	(69)	19	3.7
Macanudo	(185)	25	3.6

- Although sample sizes are small, results from the NPD survey of 9/96 (7) are largely similar to the prior study, with Cohiba considered the most full bodied brand.

	Rating on Full Bodied Taste (5-point scale of Excellent to Poor)		
	No. of Resp.	% Rating "Excellent"	Average Rating *
All premium brand combined		39	4.1
Cohiba	(13)	77	4.6
Partagas	(78)	35	4.1
Davidoff	(31)	26	3.6
Arturo Fuente	(91)	36	4.1
Avo	(24)	25	3.6
Macanudo	(156)	31	3.9

* Excellent = 5, Poor = 1

- In a 7/97 NPD study (8) 328 premium smokers rated their most often smoked brand on a 5-point mild to strong scale and a 5-point light bodied to full bodied scale. Their ratings were then converted into a 10-point strength of taste scale. The values for each brand were read from a perceptual map since detailed tabulations were not available in the report. Again, Cohiba comes out as the strongest tasting brand.

	Average Rating on 10-point Scale
Cohiba	8.1
Te Amo	7.9
Punch	7.7
Partagas	7.0
Hoyo de Monterrey	6.9
Upmann	6.6
Fuente, Don Diego, Davidoff	6.3
Macanudo	6.2
Avo	5.5

- An NFO study conducted in 9/98 (9), about a year after the GC Cohiba launch, had all those aware of a brand rate it on several taste attribute scales. These results again show Cohiba being perceived as the strongest tasting brand of those rated. The Cambridge Group, which analyzed the study, wrote "Those aware of Cohiba, but not regular users, have accurate perceptions of the brand's taste profile".(10)

Ratings Among those Aware Of A Brand

	Strong Taste %	Mild/Strong Average Rating*	Full Flavored %
Cohiba	19.3	3.59	31.9
Punch	19.2	3.15	17.6
Te Amo	15.4	3.15	17.6
Partagas	14.5	3.22	24.1
Arturo Fuente	13.5	3.17	27.8
Monte Cristo	10.4	3.18	19.3
Upmann	7.2	3.00	18.9
Don Diego	8.6	2.92	15.0
Davidoff	8.0	2.80	17.0
Macanudo	9.6	2.69	26.2

* Based on Mild (1) to Strong (5) scale.

6. Cohiba Buyers

Since the quantitative studies reviewed did not address the source of the Cohiba cigars mentioned by respondents, we have no specific information about GC Cohiba users.* However, information about Cohiba users in general, obtained in 1998, indicates that about one in five of them rated their own knowledge of cigars as low and, on average, rated

* In a few of the more recent studies Cohibas were identified as "Red Dot" in the questionnaire but there was no way to determine whether this had any specific branding meaning to any of the respondents.

themselves no higher than did the average premium user. In addition, a motivational segmentation of the total cigar market conducted for GC indicated that, among the four segments where premium brands did well, Cohiba was proportionately more used in the segments with the lowest self perceived level of cigar knowledge.

Cohiba users also smoked fewer cigars than other premium brand users and spent more per cigar.

- A 9/98 study conducted with members of the NFO consumer panel compared those who indicated they were Cohiba regular users with the average premium user (smoke at least 1 of 24 specific premium brands 3X a year or more) and with the regular users of other key premium brands. Twenty-two percent of Cohiba regular smokers rated themselves as having low knowledge of cigars. The self rated average level of cigar knowledge indicated by Cohiba users was on a par with that of the average premium user but below the level of many other high priced premium brand users.

(Table on next page)

Comparison Of Cohiba Regular Users With Other Brand Users (1)

Self Perceived Cigar Knowledge

	No. Resp**	Average Rating *	% Bottom 3 Ratings
Regular Smokers Of:			
Cohiba	(100)	5.65	22
Macanudo	(273)	5.49	20
Partagas	(126)	6.42	10
Punch	(94)	6.32	7
Hoyo de Monterey	(60)	6.81	7
A. Fuente	(138)	6.38	8
Upmann	(126)	6.36	8
All Premium Users	(456)	5.49	21

** Knowledge ratings based on 10 point scale. The higher the rating the higher the perceived knowledge.

*** Supplemented sample used to increase number of users of each brand.

- Using the same NFO study, both premium and non-premium cigar smokers were divided by the Cambridge Group into eight motivational segments based on their responses to a series of questions on various subjects. Four of these segments accounted for the bulk of premium cigar volume. Cohiba obtained a disproportionate share of its volume from two of these segments, Emerging Enthusiasts and Casual Enjoyers. On average, these two segments gave themselves a substantially lower cigar knowledge rating than was evident in the two other premium prone segments. In fact, about one-third of the respondents in these two segments put themselves in the lower part of the knowledge scale.

(Table on next page)

Segments	% of Total Sample	% of Premium Purchases	% of Cohiba Volume	Cohiba Share of Premium	Self Perceived Cigar Knowledge: Average Rating	% in Top 3	% in Bottom 3
Relationship Driven Connoisseurs	12	38	32	4	6.6	34	8
Savvy Self Reliant Connoisseurs	11	25	6	1	6.4	35	7
Emerging Enthusiasts	15	11	23	10	4.7	6	31
Casual Enjoyers	16	12	34	12	4.5	5	33

Motivational Segmentation (2)

- The same NFO study indicated that the Cohiba regular user, as compared to other key premium brand users, smoked fewer cigars, smoked less often (4) and spent more per cigar smoked.(5)

Comparison Of Cohiba Regular Users With Other Brand Users (3)

Regular Smokers Of:	No. Resp	No. Times . Smoke Per Mo.	Cigars Per Wk.	Avg. Cost Per cigar
Cohiba	(100)	10.3	3.1	8.64
Macanudo	(273)	10.5	3.2	6.64
Partagas	(126)	14.2	4.2	6.64
Punch	(94)	15.2	4.8	5.80
Hoyo de Monterey	(60)	18 .8	5.2	5.68
A. Fuente	(138)	14.5	4.8	6.41
Upmann	(126)	12.3	3.8	6.80
Premium Users	(456)	11.6	3.7	6.01

- In an NPD study done in 3/98, about six months after the GC Cohiba launch, The Cambridge Group concluded that Cohiba was capturing a notably younger than average smoker franchise. (This indicated to them the importance of status positioning.)

3/98 NPD Study- Average Age Of Buyers (4)

Premium buyer	40.0
Cohiba buyer	34.4
Fuente buyer	37.8
Macanudo buyer	38.2
Punch buyer	45.6

- However, an NFO study conducted six months later (5), which included 100 Cohiba regular users (3x or more in year) did not indicate any meaningful difference in average age between these Cohiba users and users of other premium brands.

7. Interest In Cuban Cigars

There appears to be a continuing high level of interest in and preference for Cuban cigars among premium cigar smokers. Cohiba smokers, as measured in 9/98, showed a much greater than average preference for Cuban cigars over any other cigars, and more interest in country of origin in general.

- In the 1/92 Shanken Communications study (1), the following findings indicate the relatively high interest in Cuban cigars evidenced by the 437 smokers interviewed who spent over $3.50 per cigar:
  - 40% indicated that their most preferred brand normally smoked was Cuban
  - 29% indicated that their everyday cigar was imported from Cuba
  - 63% indicated they thought Cuba produced the best cigars (Among those smoking cigars $3.50 or less per cigar, 43% also thought so)
  - 62% indicated they had purchased Cuban cigars when traveling outside the US (Among those spending $3.50 or less per cigar, 41% had purchased Cuban cigars

outside the US)

- In a compilation of industry data appearing in Packaged Facts, July 1997 (2) it was stated that "Cuban cigars retain an enormous cachet in the US market even though the majority of cigar smokers have never had a Cuban cigar" (This would include smokers of mass brands)
- A 1997 GC report (7) stated "..Cohiba's strong ratings indicates not only the 'best' perception of the brand but also the strength of Cuban reputation for producing the best cigars".
- In an NFO study conducted in 9/98 (3) a substantial proportion of premium smokers indicated a relatively high level of interest in Cuban cigars. This interest was much more pronounced among those who indicated they regularly or most often smoked Cohiba.

  The Cambridge Group, which analyzed the study, characterized these findings as "Cohiba users have a love of Cuban cigars and would switch to them if they were legal".

(Table on next page)

	Total Premium users	Regular/most often users * Cohiba	Macanudo	Partagas
No. of Respondents	(456)	(100)	(273)	(126)
	%	%	%	%
"I prefer Cuban cigars to any other" (6-point scale)				
Agree completely	14	27	10	16
Agree somewhat	10	19	13	21
	24	46	23	37

*3 times a year or more

	Total Premium users	Regular/most often users * Cohiba	Macanudo	Partagas
No. of Respondents	(456)	(100)	(273)	(126)
	%	%	%	%
"If Cuban cigars were legal I'd switch most of my smoking to Cubans" (6-point scale)				
Agree completely	16	26	25	28
Agree somewhat	15	19	5	5
	31	45	30	33
Importance of country of origin of the cigar (4-point scale)				
Extremely or Very important	35	45	29	42

*3 times a year or more

- In NPD Attitude & Usage studies conducted in 3/98 and 10/98 (4) 35% and 41% respectively of the premium smokers interviewed indicated that the best cigar they had smoked was Cuban.
- A 1997 General Cigar marketing plan document (8) stated the desire for Cohiba: "... to

leverage the mystique of the Cuban name with a comprehensive product lineup".

- Qualitative interviews with a limited number of respondents are generally designed to provide marketing hypotheses and/or insights about consumers' behavior and/or attitudes. Several conclusions drawn from such interviews appeared in General Cigar presentations.

  In a General Cigar memo dated 1/99 (5) it was indicated that "the mystiques surrounding Cuban cigars is still apparent but it seems to only be predominant in those smokers with little or modest specific knowledge of the category, cigars and manufacturers. Those that are more knowledgeable know that quality cigars are made by manufacturers not countries." However, in a General Cigar Marketing Plan document dated 10/00 (6) it was stated that "Non-Cuban cigars are seen as less than premium"

<u>**8. Confusion As To Cohiba Source And Association**</u>

None of the General Cigar quantitative studies sought to determine a respondent's belief as to the source of the Cohiba cigar that they were mentioning. However, after the GC Cohiba launch in 9/97, presentations or reports to management drawn from qualitative interviews and from evaluations of quantitative studies reported confusion between the GC Cohibas and Cuban Cohibas.

- Concern about source confusion relating to Cohiba cigars were evidenced by the following drawn from several GC presentations and documents in 1998 and 1999.
  - From a 4/98 Business Review (1): "Confusion level continues to exist in the marketplace due to the legal/counterfeit issues during the launch".
  - In a 6/98 report prepared by The Cambridge Group which referred to NPD A&U Studies (2): "Confusion over Cohibas of different origin, as well as "the brag value" of claiming to prefer Cuban Cohibas, likely contribute to Cohiba's high

rating (as best brand ever smoked)". "While awareness and preference for Cohiba appears to be rising consumers may be confusing Dominican with Cuban Cohibas".

- In that same 6/98 report and presentation (3) reference was made to the results of qualitative research: "Substantial confusion exists over Dominican versus Cuban Cohibas. Knowledgeable people tend to look down on Dominican cigars as an imitation or fake. Others are simply confused. (There are two brothers, one who makes Cohiba in Cuba and the other in the Dominican Republic)".

  The Cambridge Group also indicated (4) "Concerns around consumer confusion over Cohiba's identity and authenticity suggest that investing in brand extension would be risky at this time" They stressed in their presentation that " there is serious consumer confusion over different types of Cohiba"

  In this same Cambridge Group presentation, equity from the Cuban Cohiba was included in a summary of the GC Cohiba's brand equity. It listed the following as the Cuban product's equity accruing to the GC brand: stronger flavor, best quality, illegal, hard to find, legendary. Under the Dominican Cohiba's equity it included "imitation of Cuban Cohiba"

- General Cigar was aware that its surveys did not attempt to determine whether or to what extent there might be source confusion regarding Cohiba.
  - In an 4/99 report (7) it indicated that "Cohiba (Brand- Cuban or Dominican) and Macanudo are the two top brands in terms of best perceived smoke among premium users"
  - In an Internet survey done in 3/01 to evaluate Punch and Macanudo Ascots advertising (5) the following was noted about unaided recall of Cohiba: "Participants wrote in their own responses, so there is no way to establish if they meant Cuban or Red Dot Cohiba".

- Even knowledgeable cigar smokers may be confused as to the genuineness of a cigar. In *Cigar Aficionado*'s weekly polls on their Internet site 39-40% of those answering in 7/98 and at a later poll (6) indicated that they had purchased a cigar which they believed was genuine but was later discovered to be counterfeit.

The foregoing constitutes my analysis of the reviewed data in regard to the specified topics.

Alvin Ossip

D. Source Of Information

1. The Premium Cigar Market

(1) Bain & Co. Bain 0092
(2) Bain & Co. GC 022234
(3) GC 021692
(4) GC 21717
(4a) GC 015870-71
(5) GC 022629-33
(6) Bain 00094
(7) Bain 00195
(8) GC 021378

2. Awareness Of The Cohiba Brand

(1) GC 023687-95
(2) GC 014860-62, GC 014865-67, GC 014870-78
(3) GC 016885-87, GC 016890-91
(4) NFO 001263
(5) GC 019934-61
(6) 2/95 NPD Study P.15-32- no Bates number provided
(7) 7/97- GC 013852, 3/98- GC 016386, GC 016399, 10/98- GC 015941, 3/99- GC 015735
(8) GC 016699, 016703
(9) GC 015919-20
(10) GC 014275+
(11) GC 014285,288

3. Cohiba As The Best Brand Ever Smoked

(1) GC 014293
(2) 12/94- GC 023586-88 2/95- NPD Study P55-57- no Bates numbers appear,
5/95- GC 014898-99 7/96- GC 015322 7/97- GC 015751 3/98- GC 0116479, 016482
10/98- GC 016027, 016031 3/99- GC 015751

4. *Cigar Aficionado* Magazine As A Source Of Cigar Information

(1) GC 01375
(2) GC 016685
(3) GC 016103
(4) GC 019500
(5) GC 022286
(6) GC 01384
(7) GC 015723
(8) GC 019339
(9) GC 019717,017937,018674
(10) GC 018835
(11) GC 016685
(12) GC 016103
(13) Depositions of: Lewis Rothman, Oscar Boruchin, Steven Johnson, Edgar Cullman Jr.
(14) Bain 00094; Shanken Communications Stipulation
(15) Declaration of Jessica Heyman

5. The Image of Cohiba

(1) GC 013771
(2) GC 019661-67
(3) GC 019797
(4) GC 019938
(5) GC 014959-60
(6) GC 015385-87
(7) GC 023805
(8) NFO 01265+, 01361-67
(9) GC 019665

6. Cohiba Buyers

(1) GC 018667-68, 01240-41, 017928-29
(2) GC 019592-94, 019610; NFO 720-21
(3) GC 018506,017754,018523,017771, NFO 010179, 01097
(4) GC 013797-99
(5) GC 018410

7. Interest In Cuban Cigars

(1) GC 014275 +
(2) GC 014132
(3) GC 019116, 018583,019129,018450,018681, 019638
(4) 3/98- GC 016486 10/98- GC 016036
(5) GC 015847
(6) GC 022800
(7) GC 013783
(8) GC 022846

8. Confusion As To Cohiba Source And Association

(1) GC 021219
(2) CAM 000370-71
(3) CAM 000384
(4) CAM 000389, 000385
(5) GC 022283
(6) GC 021445
(7) GC 015750

Appendix

General Cigar sales of Cohiba Cigars, as advised by counsel for plaintiff:

YEAR	COHIBA SALES
1982	90,000
1983	323,000
1984	118,000
1985	70,000
1986	5,000
1987	3,000*
1988	0
1989	0
1990	0
1991	0
1992	5,600**
1993	50,000***
1994	49,000
1995	101,000
1996	96,000
1997	509,000****
1998	858,000
1999	985,000
2000 (thru Nov.)	996,103
2001 (thru Sept.)	1,337,169

*There is a dispute as to whether there were any 1987 sales, but the position favorable to defendants is used here for simplicity's sake.

**First shipment (to Dunhill) on November 20, 1992.

***Approximately 9,000 shipped from GC in DR to GC in US (rest shipped directly to Dunhill); 100 cigars shipped for Mike's Cigars in Miami on Dec. 20, 1993.

****Records show 60,000 sold through Feb. 1997, unclear if total 1997 figure reflects 1997 sales prior to September 1997 launch of GC Cohiba.

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July 19,2002

Subject: Errata for REPORT OF SIGNIFICANCE OF INFORMATION IN MARKET RESEARCH RELATED FILES FURNISHED BY GENERAL CIGAR AND THIRD PARTIES WITH RESPECT TO CERTAIN ISSUES CONCERNING COHIBA , January 2002

The above report, prepared by me, makes reference to several Attitude & Usage studies (A&U) conducted for General Cigar in 12/94, 2/95, 5/95 and 7/96. I erroneously attributed the conduct of those studies to NPD , a marketing research company, when they were actually conducted by another firm, Service Industry Research Systems (SIRS). Apparently, after the 7/96 study General Cigar switched their A&U studies to NPD.

Both the SIRS and the NPD A&U studies referred to in the report were telephone surveys conducted with premium cigar smokers and covered very similar topics and were tabulated in a similar manner. Although the definitions of the respondent universes used in these various studies may have varied (specific information about the universe for some of the studies was not available in the General Cigar files) General Cigar used the last two SIRS studies and the subsequent NPD studies to evaluate trends in certain market measures. Results of the studies from both of these market research firms were cited in tracking:

- Unaided awareness –1995-1997 (GC 013783)
- Best cigar ever smoked – 1995-1998 (CAM 000366)
- Brand smoked most often – 1996-1999 (GC 022593)
- Primary store where cigars bought – 1995-1999 (GC 022610)

The incorrect attributions to NPD appear in the following places:

Page 9, Line 14
Page 11, Line 1
Page 12, Lines 1,3,,9,11,13,18
Page 13, Line 2 after table, Line 14
Page 14, first table heading should read "A&U Studies"
Page 16, Line 1 after first table and in table heading
Page 21, Line 13

Following are three minor errors in the typing of the report:

- Page 5- Implication Section Line 3- "the Cohiba's" should read "the Cohiba users"
- Page 21- a footnote should appear for the table similar to the one appearing on the next page: Excellent = 5, Poor = 1
- Page 25- each of the footnotes under the table should have one less asterisk

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October 17, 2002

Mr. Michael Krinsky
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740 Broadway
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Subject: Errata for REPORT OF SIGNIFICANCE OF INFORMATION IN MARKET RESEARCH RELATED FILES FURNISHED BY GENERAL CIGAR AND THIRD PARTIES WITH RESPECT TO CERTAIN ISSUES CONCERNING COHIBA, January 2002

Several errors have been discovered in the Source Of Information section which shows the specific Bates numbered pages or other designations of the documents from which specific information was obtained. In one instance the source should have been NFO instead of GC. In the other instances the error involved a single digit in the designation.

Section of report		Reported as:	Should be:
3. Cohiba As The Best Brand Ever Smoked	(2)	3/98- GC 0116479	GC 016479
4. Cigar Aficionado Magazine As A Source Of Cigar Information	(1)	GC 01375	GC 013750
	(6)	GC 01384	GC 013847
6. Cohiba Buyers	(1)	GC 01240-41	NFO 01240-41
	(3)	NFO 010179	NFO 01079

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC. and CULBRO CORP. Respondents.	Cancellation No. 92025859

PARTY OFFERING: PETITIONER

DESIGNATION in 97 Civ. 8399 (RWS), United States District Court, Southern District of New York, *Empresa Cubana de Tabaco d.b.a. Cubatabaco v. Culbro Corp. and General Cigar Co., Inc.*):

Plaintiff Cubatabaco's Trial Exhibit PX0462

GENERAL CIGAR HOLDINGS • INC
387 PARK AVENUE SOUTH NEW YORK, NY 10016-8899

A. Ross Wollen
SENIOR VICE PRESIDENT
GENERAL COUNSEL & SECRETARY
PHONE 212-448-3820 FAX 212-561-0791

December 22, 1997

Via Fax (954) 252-9391

Mr. Sanford G. Lechner
Atlanta Smoker
1701 W. Hillsboro Blvd.
Suite 305
Deerfield Beach, Florida 33442

Dear Mr. Lechner:

I understand your publication is running an advertisement for COHIBA cigars from Global Direct Marketing ("GDM"). I am sending herewith the Order just issued by Judge Robert Sweet of the U.S. District Court prohibiting GDM from selling cigars using our COHIBA® brand name.

We hereby demand that you cease and desist all such advertising and notify your subscribers of this Order. Please consult your attorney as to the seriousness of this matter and the steps you should take. To my knowledge your publication is the only one to accept this advertising.

Very truly yours,

AKossWollen

A. Ross Wollen

w/ Enclosure

ARW:df
(MSW)\\i User\Hansen\Lechner

GC 007651
Confidential:
Under Protective Order

PLAINTIFF'S EXHIBIT 462

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
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AND

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EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC. and CULBRO CORP. Respondents.	Cancellation No. 92025859

PARTY OFFERING: PETITIONER

DESIGNATION in 97 Civ. 8399 (RWS), United States District Court, Southern District of New York, *Empresa Cubana de Tabaco d.b.a. Cubatabaco v. Culbro Corp. and General Cigar Co., Inc.*):

Plaintiff Cubatabaco's Trial Exhibit PX0899

BACKROUND INFORMATION- U.S. CIGAR BUSINESS

The U.S. cigar market is by far the largest in the world. Within this market there are many different types of cigars, ranging from domestic machine made products like White Owl and Tipparillo to imported premium and super premium brands made entirely by hand. While the premium cigar market is smaller in terms of both units and dollars, a premium hand made cigar is the purest form of enjoying tobacco, and it is very difficult for a consumer to smoke domestically manufactured cigars once they have experienced the premium product. Partly because of this, the premium imported cigar market is experiencing a rapid expansion while the lesser quality domestically manufacured product is now in decline. Alfred Dunhill, Inc. trades only in premium and super premium cigars made by hand that are imported from the Caribbean basin.

Alfred Dunhill remains today one of the most well known and respected names in the premium cigar market. However, over the last several years we have not fully capitalized on the opportunities to expand and improve our product range. Davidoff, our primary competitor in premium cigars and the Smokers business in general, has increased their product mix to provide consumers a range of tastes in cigars, and coupled this with an extensive marketing and public relations effort towards the appearance that Davidoff is the best name in Smokers (see Spring 1994 Cigar Aficionado, pg.16). Davidoff has its own free standing shops in New York and Beverly Hills, and approximately 50 appointed merchants that carry their range of products.

In major markets our primary competion comes from privately owned and operated smoke shops that may or may not be a Davidoff appointed merchant. In New York we compete with De La Concha, Arnolds, Barclay-Rex, Nat Sherman, and of course directly with Davidoff. In Chicago there is Up-Down, Rubovits, Iwan Reis, and Jack Schwarz. Not many privately owned shops would necessarily be able to compete with the range and level of quality that we carry at Alfred Dunhill. The afore mentioned do, and in the major markets it does behoove us to pay very close attention to what they are doing.

Customers tend to be loyal to these types of smokeshops because they are pure tobacconists. Most of these shops are free standing with street front exposure, and are very accessible for the passer by as well as those who seek the shop out as a destination. They specialize in tobacco products, they are generally very knowledgeable, and are working towards building a rapport with their regular customers. This is a key point because the truest loyalty is not necessarily to the shop itself, but more to the individual that the customer is purchasing from. Cigar customers will follow their person from shop to shop as has been evidenced by our humidor manager in New York, Smitty.

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AD 00287

PLAINTIFF'S EXHIBIT 899

Throughout most of its history, the Alfred Dunhill stores had a forward presence in Smokers. The shift to clothing and luxury goods communicated to many consumers that Alfred Dunhill was no longer in the Smokers business. The location of the humidors in the back of the stores generally out of sight only further reinforced this perception.

CHIEF COMPETITION-DAVIDOFF

Part of the success story for Davidoff is the fact that they have built a legendary reputation around the name of Zino Davidoff, the companies founder, who died earlier this year. Zino apparently was quite a character, and had been primarily responsible for developing the old Davidoff Cuban brand of cigars as well as several of the other products that now fall under the Davidoff family of cigars. Davidoff now produces most of its cigar products in the Dominican Republic, and the Zino brand in Honduras. The Dominican brands include Davidoff 1000 series, Grand Cru, Avo, and Griffins. Davidoff in New York also stocks a selection of cigars from several other manufacturers which further broadens their product mix.

Davidoff now has Avo Uvezian whose name is on the Avo and Avo XO brands of Davidoff cigars. Avo will be seen at all of the major smokers events/ trade shows playing a grand piano at the Davidoff booth, singing songs and conversing with any one who will spend the time. The man is very charismatic, and he definately does pull many people into the Davidoff camp. However, rumor has it that all is not well with the relationship between Avo and Davidoff, and that there may be a possibility that he could break his association with Davidoff in the future. I have not been able to ascertain what is exactly the nature of Avo's discontent, but it most likely is centered around Davidoff's handling of the distribution of the Avo cigar product.

CIGAR MANUFACTURERS AND DISTRIBUTORS

There are only a handful of key players in the manufacturing and distribution of premium cigars.

GENERAL CIGAR

Headquarters: Bloomfield, CT

Key Players: Austin McNamara-President/CEO
Dickson Farrington-Director Marketing/Sales

Manufacturing Facilities: Dominican Republic, Jamaica

Dominican brands: Partagas, Ramon Allones, Cohiba

Jamaican brands: Macanudo, Macanudo Vintage, Temple Hall

While General Cigar is not the biggest of the manufacturers, they clearly are an industry leader with some of the most successful and popular brands ever launched. Macanudo is still the largest selling premium brand in the U.S., however, it now loses market share while growing in sales because of the proliferation of new brands brought about by the arrival in the marketplace of the Cigar Aficionado magazine.

We have an excellent working relationship with General Cigar, and their Director of Marketing and Sales clearly understands the Alfred Dunhill Smokers business as he was the Smokers buyer at Alfred Dunhill prior to his taking the job at General. In his new position he has created an opportunity for us to develop the Dunhill Jamaican cigar which could be a tremendously successful new product, and the first major step in the revitalization of the product mix within the Dunhill range of cigars.

General Cigar has been the slowest manufacturer to get on the new brand band wagon. They have in the past been focusing on what they are already doing well. A recent change in management at the top level of General Cigar and its parent Culbro Corp. indicates that in order to remain near the top of the industry General Cigar will be going after sales and market share more aggressively than before.

General Cigar manufactures many of our best selling products. The Temple Hall Trump #1 is the highest grossing single line item in the cigar department. Temple Hall is a private label exclusive manufactured in Jamaica. It is very mild, and similar to Macanudo.

General Cigar also has given us an exclusive on the Cohiba brand of Dominican cigars. Cuban Cohiba cigars are the most legendary cigars in the U.S. market where they can not legally be purchased. General owns the rights to the name in the U.S., and needs to show business activity within the brand in order to retain the rights to the brand name. Owing to the legal complexities surrounding the ownership rights to the name, General has no plans to launch the brand nationally. For the forseeable future we will retain the opportunity to exclusively carry this product that is selling very well simply because of the strength of the name.

All of our General product has exclusive packaging giving our Macanudo, Partagas, etc. a degree of differentiation from the rest of the market. The Dunhill Seleccion Suprema stamp is on all of the frontmarks with the exeption of Macanudo Vintage and Cohiba.

The only brand that we carry from General that we currently struggle with is the Ramon Allones Dominican cigar. At present the brand is being redeveloped, and we will retain it for the time being as we feel strongly that it will soon become a very viable product.

CONSOLIDATED CIGAR

Headquarters: Fort Lauderdale, FL

Key Players: Dick Dimeola-Executive Vice President/COO
Ron Perelman-Chairman of the Board, Revlon Corp.(Chief Shareholder)

Manufacturing Facilities: Dominican Republic

Dominican brands: Dunhill Aged, Montecruz, Montecristo, H. Upmann, Don Diego, Royal Jamaica

Consolidated also has factories in Honduras and Mexico, but we do not source any products from there.

Dick Dimeola is Consolidated Cigar which is one of the biggest manufacturers in the world. He is a monster in the cigar business, and commands an enormous amount of respect from within the industry. Dick was the president of Lane Limited at the point when Lane took over the wholesale distribution of Dunhill Smokers products in 1983. He then went to Consolidated Cigar and was responsible for the development of the Dunhill Aged range of cigars. For these reasons Dick is very close to the Alfred Dunhill family.

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Consolidated Cigar has been going after the cigar market very aggressively having launched a number of new brands since the Cigar Aficionado magazine was introduced. They very correctly foresaw that by giving the consuming public a wide range of choices in cigars most of which get rated in the magazine that there was an opportunity to increase sales and market share. The down side of this strategy is that Consolidated has an enormous problem with back ordered cigar product at over 3 million sticks, 1.5 million of which are owed to Lane Limited. Consolidated Cigar can not launch any new brands until they get their production levels up to the point where they can begin to meet the present surge in demand. They are interested in discussing future possibilities to develop new brands for Alfred Dunhill and/or revamping existing products with new blends or packaging.

Most Consolidated Cigar products are sourced through Lane Limited, which has the exclusive U.S. rights to distribute Dunhill Smokers Requisites. The Dunhill Aged range is our signature cigar product, and far and away our best selling brand. The quality of the product and the strength of the name account for that.

Montecruz business has been declining steadily since the 1960's when it was the number one brand in the U.S. market. Consolidated's Montecristo brand will most likely negatively affect sales of Montecruz further because of the cache of the Cuban Montecristo name, and the similarity of the packaging. Undoubtedly, we will more than make up for those lost Montecruz sales because of the strength of the Montecristo name. Again because of the name, Montecristo will also have a higher profit margin.

Montecristo will be given to Alfred Dunhill and eleven other retailers on a limited exclusive basis in May. The brand will not be launched nationally until 1995, so we will have almost a year or more for word to get out to the public that one of the only places to find the new Montecristo is in the Alfred Dunhill stores. We will not be able to do any promotions with this product until the national launch, but it is still a tremendous opportunity for us to tap into a new and potentially explosive market.

Our business in the Don Diego and H. Upmann brands has been declining. Don Diego will eventually need to be revamped with a new fuller flavored blend, and new updated packaging. Consolidated is presently producing this fuller flavored Don Diego for the European market.

H. Upmann despite its growth and success nationally, suffers somewhat in our humidors because of the range of product that we have surrounding it. There is not that much special about Upmann to keep or create customers other that its value price, and we will work towards phasing this product out of most of our locations.

LANE LIMITED

Headquarters: Atlanta, GA

Key Players: David Michod-CEO
Joe Rowe-National Sales Manager
Gene Thompson-Southeast Regional Manager/also manages the Dunhill pipe and accessory business nationally.

Cigar products sourced from Lane: Dunhill Aged, Dunhill Canary Island, Dunhill Montecruz, Dunhill Miniature Cigars, Royal Jamaica

Other products sourced from Lane: Dunhill pipes, Dunhill English Tin Pipe Tobaccos, Dunhill Private Label Bulk Blended Pipe Tobacco, Dunhill Smokers Accessories

All of our merchandise from Lane is sourced either from the Tucker, GA or Van Nuys, CA warehouses.

The strenth of Lane Limited is clearly its distribution network. They warehouse merchandise which gives them the ability to deliver product on time, and have been a great help to ADInc..

At present Lane has over 700,000 cigars on backorder to customers. They are owed at least 1.5 million from Consolidated. Consolidated manufactures all of the cigar product that Lane carries. The development of Dunhill Jamaican and Honduran cigars would be very beneficial for Lane as it would provide them with new vendors from which to source product.

We do have to pay a premium price on Dunhill Smokers products because we have to cover Lane's margin, which sometimes forces our retail prices inordinately high.

Pipes price out at retail in the U.S. on average 37% higher than the same pieces retail for in the U.K.. Other U.S. retailers are strongly encouraged by Lane to price Dunhill product at suggested retail, so that we do not compete within our market with off price merchants.

Our humidor range is sourced directly from Dunhill Pipes Limited. We would not have been able to successfully bring in the product to our market with an attractive price point if the products had been carried through Lane.

Lane works very closely with us to manage their stocks levels at a point that will best serve our needs as well. Gene Thompson has done a great deal of good work analyzing the pipe business, and has helped us put together realistic model stock levels for the stores.

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We have agreed on an arrangement with Lane for product training in the stores. Lester Garret, who used to work for Alfred Dunhill wholesale in the U.S., has been appointed by Lane to handle training for the Principal Pipe Dealers (PPD's must purchase a certain amount of Dunhill products). His extensive backround with Dunhill merchandise, and overall knowledge of the Smokers business will be an asset to us when he visits our stores for formal or informal seminars twice a year. The agenda for these seminars will be entirely at our discretion, and we will take full advantage of his considerable expertise to train our people in the stores.

ARTURO FUENTE/M & N

Headquarters: Tampa, FL

Key Players: Carlos Fuente, Jr.
Bobby Newman, Executive Vice President-M & N

Manufacturing Facilities: Dominican Republic

Cigar brands: Arturo Fuente, Arturo Fuente Hemingway, Cuesta Rey

At present we do not carry any of the Fuente family of products. We have met with Bobby Newman of M & N (exclusive distributor for Fuente products in the U.S.) and discussed picking up the Hemingway line of Fuente cigars. Hemingway is the super premium version of Fuente products. Through Bobby Newman, Carlos Fuente has expressed that he would very much like to get his product into the Alfred Dunhill stores, and is willing to work with us in order to do so.

It is likely that the November Smokers Night will be our introduction of the Fuente Hemingway brand of cigars. The Hemingway line is a very rich and full flavored Dominican cigar that will strengthen our selection of fuller flavored product. There are several other new Fuente products in development that we are entering into negotiations to acquire.

The Fuente family has just opened a third factory in the Dominican Republic which will make them the largest manufacturer in that country.

VILLAZON & CO.

Headquarters: Upper Saddle River, NJ

Key Players: Dan Blumenthal, President
Sherwin Seltzer, Vice President- Sales and Marketing.

Manufacturing Facilities: Honduras

Cigar brands: Hoyo de Monterrey, Punch, Flor de Allones.

While clearly not one of the big boys, Villazon is well positioned as the biggest manufacturer in Honduras. The Cigar Aficionado is purporting Honduras to be the manufacturing center that is producing the closest alternative to Cuban cigars. Largely because of this, demand for Honduran cigars is increasing rapidly.

Villazon manufactures the Flor de Allones brand for us at present. Flor de Allones was a very popular Dunhill private label in the 1960's, and it was reintroduced two years ago. It is a value priced premium cigar that has only produced in three locations. They are Houston, Beverly Hills, and Chicago. We will be keeping the brand in these locations as a service consideration for their customers. Villazon will eventually take back the exclusive rights to the name, which they had given to us, and begin selling Flor de Allones in other U.S. smokeshops as well as in Europe. Once the brand is nationally distributed and advertised, it will get ratings in the Cigar Aficionado magazine, and we may find that increased product recognition will create a need to increase distribution within our retail stores.

Flor de Allones was reintroduced into the Alfred Dunhill stores because at the time the cigar market was demanding a value priced product.

Our consumer today is not generally motivated by a value price cigar. Our consumer tends to view a value price cigar as an inferior product. Much of this has to do with the advent of the Cigar Aficionado magazine, and the impact that the magazine has had on the cigar industry in a very short period of time.

Our current strength is clearly in the super premium, higher priced cigar market as evidenced by the sales of Dunhill Aged and Macanudo Vintage.

These super premium products are at the higher end of our price points ($5-$12 per cigar), and it is clear that our consumer is not bashful when it comes to the price of their cigars. In fact, our cigar consumer tends to relate most expensive to the best.

The next Smokers Night in June we will pick up the Hoyo de Monterrey Excalibur range of cigars. Excalibur is the super premium blend of Hoyo and is a rich, full flavored cigar. It will compliment and improve our existing product range very well because at the moment we have no presence in Honduran cigars.

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LA AURORA/MIAMI CIGAR CO.

Headquarters: Miami, FL

Key Players: Nestor and Mariana Miranda- Distributors

Manufacturing Facilities: Honduras

Cigar brands: Don Lino, Don Lino Habana Reserve, La Aurora

The Don Lino Habana Reserve is a high quality Honduran, mellow and rich. We would like to pick up this brand before the end of the year if possible in order to further improve our selection of Honduran cigars.

OSCAR/ SEGAL WORLD WIDE DISTRIBUTION

Headquarters: Jamaica Estates, NY

Key Players: Oscar Rodriguez-President, Dominican Cigar Imports
Mark Segal-Distributor

Manufacturing Facilities: Dominican Republic

Cigar brands: Ocsar, Andujar

The Oscar cigar was picked up last year, and brought into the stores without a Smokers Night. It is a premium price cigar with good margins, and attractive packaging. The quality of the manufacturing on some larger sizes sometimes leaves a bit to be desired, but has been getting better. The brand has just gotten its first rating in the Cigar Aficionado of 88. This could have a positive impact on sales going forward, but up until now the brand has been sluggish.

The Andujar brand is new from Oscar, and has just hit the shelves this week at Arnolds on Madison Avenue. It is a fuller flavored cigar relative to Oscar, and is very nicely packaged. The attractiveness of the Andujar packaging could make the cigar a big hit. A smokers event later in the year with both the Andujar and Oscar brands is being explored.

JR CIGAR

Key Player: Lew Rothman

Headquarters: North Carolina

JR cigar is the biggest discounter of cigars. At present they command about 40% of the cigar business in the U.S., mostly done by mail order. JR has several warehouses, and their own retail shops around the country. They do such a huge volume that they take much smaller margins than anyone else possibly can, and make their money by turning volume. JR prices average about 30% below suggested retail. They are in no means a direct competitor because if a consumer is primarily concerned with a value price, they know that nobody can beat JR. Lew is actively promoting the notion that cigar brands like Dunhill and Davidoff are over priced and "ripping off" the consumer. In this regard he is dangerous because he commands such a large percentage of the U.S. cigar market, and alot of people listen to what he has to say. However, as I have detailed earlier our customer base is generally not sensitive about the price of their cigars. They shop with us more for the overall experience.

ROBERT MONDAVI WINERY

At Davidoff's formal dinner at the Plaza Hotel in January I was introduced to Jamie Conahan who is the East Coast Corporate Accounts Manager. He has informed me that Davidoff is working towards a formal association with the Mondavi family giving Davidoff exclusive access to Mondavi products for their events. At present there is no formal agreement, and I was told that there was no reason that Mondavi could not participate in an Alfred Dunhill sponsored event.

When we have finalized our strategic plan for special events, we should attempt to establish our own exclusive partnership with the Mondavi family. The strength of the Mondavi name, and the quality of their products would make for a natural association. As an after thought, there are many purveyors of spirits and other beverages that are a natural accompaniment to cigars, and we should endeavor to forge formal and exclusive relationships wherever we see a mutually beneficial opportunity.

The highlight of the Davidoff dinner was the superb quality of the wines that Mondavi had furnished. For an event of that caliber they had brought limited production products that are not marketed to the public.

Maria Mondavi was present for the dinner, and spoke about each wine as it was being served. It was very educational, and very tastefully done.

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ASSESSMENT AND ANALYSIS

In assessing where we stand relative to our competition our weakest point is the narrowness of our selection. We have alot of Dominican product, and alot of product that falls on the milder end of the spectrum. To get the best mix we will need to add several existing and very popular fuller flavored brands. We will need to redevelop or drop several brands of our existing product. The key move, however, will be to develop new brands. The most important of these will be the Dunhill Jamaican and Dunhill Honduran as well as new private labels. This is because they will bear the Dunhill name, and afford us the opportunity to make a higher margin.

Our strengths in cigars is the Dunhill Aged range and the private label exclusives that have been developed for us. We can capitalize on these strengths by continuing to use them at special events (cigar dinners) outside of the stores, and by opening cigar accounts featuring our signature and exclusive brands in restaurants and private clubs.

The opportunities to sponsor cigar events outside of the stores presents itself all of the time. While we need to remain selective about where we choose to participate, we should be doing as many of these events as is reasonable to increase the perception that we are a serious player in the markets where we have stores.

Our ongoing challenge is going to be how we can better track in the stores the amount of new business that is being generated from off site events. At present it is difficult for us to quantify the return on investment when we go off site. Every store manager thinks that the events are an overall plus for their businesses, but can not provide any tangible benefits other than the letters from existing customers recanting what a wonderful time that they had at the event.

We should develop an operating budget within our own company for special events because the manufacturers and distributors will not be able to provide the product that we will need to do all of the high quality events.

Our humidor in the New York store and several other markets could be expanded to provide more shelf space for cigars and a more cohesive display for accessories. Right now the room in form and function is not what our flagship as an industry leader should represent. To improve our overall product mix we will need twice the shelf space to be able to accomodate the existing brands that we wish to pick up as well as the new brands that we will develop. This is inclusive of the fact that we will be phasing out some of our existing slow selling product.

While Davidoff's Avo is not a nationally known celebrity, people who smoke cigars know that Avo is not just a brand name of cigars. The aura of his personality surrounds the brand and drives sales of the Avo cigars. We could potentially do alot with Avo were he to decide to change his allegiances.

To explode the growth in this business we not only need to get the product mix right, but also need to build our business around a personality that the consuming public, and specifically the new younger consumer, can identify with. Perhaps because of his past allegiances with the Davidoff group, Avo would not be the best personality for Alfred Dunhill. Ideally we would find, develop, and market our own personality.

CIGAR AFICIONADO

Key Players: Marvin Shanken-Publisher
George Brightman-Director of Business Development

The Cigar Aficionado magazine has redefined consumer awareness for cigars. In some circles it is tongue in cheek referred to as 'The Gospel According To Marvin'. Marvin Shanken is a very shrewd business man, and has seized an opportunity where others have tried and failed in the past.

While no one can dismiss the positive impact that the magazine has had on cigar sales, industry leaders have a considerable number of problems and concerns about the content of the information that is published each quarter.

The art of enjoying cigars is a very personal and subjective matter. Cigar smoke reacts on the palate very much like a fine wine. As each persons palate is different there is no way for anyone to say that one premium cigar is better or worse than any other.

With this in mind we come to the ratings portion of the magazine where within each issue a particular size of cigar is tested and given a numerical score on a 100 point scale. The blind testing is done by a panel of four Cigar Aficionado editors. Do four people represent a random sampling of the cigar smoking population? These four people have all been smoking for many years, and have developed tastes for Cuban and other very full flavored cigars.

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The tasting is purported to be blind tasting; the cigar bands are removed and replaced with a numerical identification so that the brand could not be easily recognized. However, in order for a true blind tasting to occur the smoker needs to be blindfolded because much of the cigar experience is derived from the sense of sight. Before one lights a cigar those who appreciate fine cigars will note the wrapper color and texture. While it might be difficult to guess the brand of the cigar using only your eyes, knowing that the wrapper is a light Connecticut wrapper or a dark wrapper from the Cameroons will bias your experience if you know beforehand that you prefer one or the other.

In the last issue 58 non Cuban brands were tested and all rated between 81 and 91 which falls into the very good to excellent category.

The consuming public is given no truly useful information on the ratings of cigars other than the cigar was considered good enough by the Cigar Aficionado to get rated. This said the fact remains that a rating in the magazine will boost sales. If your brand breaks the 90 threshold you are virtually assured that there will be a run on the product, and it will become very scarce.

It has become clear to the industry that there is a direct correlation between the amount of advertising dollars spent and the rating of your product. This is exactly how Marvin Shanken has done business with the wine industry and his Wine Spectator magazine.

The Dunhill cigar ads in the magazine are placed by Lane, and we co-op the cost. It is the only way at present that we are able to advertise Smokers products.

Marvin Shanken called recently with a very interesting proposal. He offered to insert our new cigar catalog into the subscriber rolls of the magazine. He claims that he has 40,000 U.S. names. A smaller version of the catalog could be produced, featuring Dunhill cigars and private labels, and several thousand copies could be inserted and tested in the New York market so that we could measure its impact before going national.

There is a tremendous opportunity here. Alfred Dunhill is the exclusive retailer of Cohiba in the U.S., and will have an exclusive on Montecristo for the next year. These are the two most sought after Cuban brand names in the U.S. because of the mystique built around them by the Cigar Aficionado. Cohiba is not a nationally distributed brand, and therefore does not qualify for ratings in the magazine. Montecristo will eventually be a national brand, and there is a great deal of anticipation in the marketplace for this new product. Our catalog with these brands and other private labels in the hands of the very targeted Cigar Aficionado readership will expose them, many for the first time, to new hot items that they would be wholly unfamiliar with if they do not shop at Alfred Dunhill.

SUMMARY AND CONCLUSIONS

It will be very important to get our new president in circulation amongst the industry leaders as soon as possible so that he can share his vision for the Alfred Dunhill business. A series of individual meetings with cigar industry executives over the next several months would be beneficial. Also, I think that it would be very beneficial if possible for both David Salz and Charlotte Deslin to be present for the Cigar Aficionado's Big Smoke on May 26 in New York, and also for at least part of the Retail Tobacco Dealers Association convention in Chicago in late August. It will be a big public relations opportunity to have our executives present at the major smokers events so that the public and the industry will begin to appreciate and understand our committment to develop and expand the business.

Our position remains one of overall strength largely hinged on the heritage and history of our company. Every major player in the industry recognizes this, and wants to do business with Alfred Dunhill because of our 10 retail shops, who we are, and what we represent. Our challenge will be to convey that positive feeling about our business to the public, secure the younger cigar smoker, and eventually turn that person into a consumer of all product categories. The Cigar Aficionado could become a key player in this ongoing effort.

We will need to be very creative as the market is fast paced and changing all the time. The reevaluation of our customer keeps, a smokers club, and a restaurant program are all excellent ideas. However, there will be constraints on the amount of short term impact that we can achieve because of back order problems, existing relationships between manufacturers and the cigar friendly venues, and the fact that it will take time to improve our overall product mix.

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC. and CULBRO CORP. Respondents.	Cancellation No. 92025859

PARTY OFFERING: PETITIONER

DESIGNATION in 97 Civ. 8399 (RWS), United States District Court, Southern District of New York, *Empresa Cubana de Tabaco d.b.a. Cubatabaco v. Culbro Corp. and General Cigar Co., Inc.*):

Plaintiff Cubatabaco's Trial Exhibit PX1510

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Cohiba

Cohiba ... is there a cigar smoker on this planet that doesn't know the name?

The Cohiba Robustos & Triangulos are in stock! More sizes coming soon!

Cohiba

Manufactured in the Dominican Republic from Dominican grown Piloto Cubano finished off beautifully with a Cameroon wrapper. Smoking elegance & pure pleasure. Delightful.

The History

We'd like to invite you to visit a few new pages we've added for your enjoyment. Click on any of the countries listed below to see a brief history of that country. We'll be adding more content to each country's page, as well as adding more countries soon. We'll be focusing on each country's role in the cigar industry. Stay tuned!

Dominican Republic	Cameroon	Honduras	Nicaragua

On his second voyage to the New World in 1496, Christopher Columbus observed the Taino Indians as they smoked cured tobacco. Cohiba, they called it.

Cohiba has traveled a long way in quality since then, especially in the waning years of the twentieth century. Not long ago, a Cohiba cigar was developed in Cuba as a kind of presidential cigar for Fidel Castro. More recently, a Cohiba cigar was developed in the Dominican Republic and introduced in 1997 by the makers of Macanudo and Partagas.

The Cigar

The Cohiba cigar that is crafted today in the Dominican Republic took more than six years to develop.

The dark, rich wrapper is grown in the sub-tropical West African climate of Cameroon. The supple and flavorful Jember binder comes from Indonesia. And the choice Piloto Cubano leaves from the Dominican Republic are selected for their smooth-smoking qualities to balance the richness of the wrapper.

The result is a truly great cigar.

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